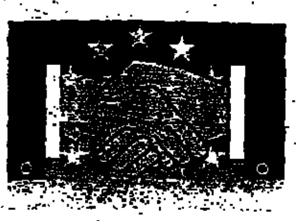
FINANCIAL TIMES



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Arco signs $1.5bn oil production deal with Algeria

US oil company Arco shrugged off threats by Islamist militants and signed a $1.5bn production sharing contract to rehabilitate the Rhourde El Baguel oilfield in Algeria. The deal is the latest in a string of contracts signed between Sonatrach, Algeria's state oil and gas company, and western oil groups. Extremists have warned oil and gas workers in Algeria to stop work or face death. The industry generates 90 per cent of the country's foreign exchange revenues. Page 12

Bundesbank warns on Maastricht: Germany must make greater efforts to cut its public sector deficit to meet the Maastricht treaty criteria by 1997, the Bundesbank warns today. Page 2; Lex, Page 12

Dasa forecasts deeper losses: Daimler-Benz Aerospace said it expected a loss for 1995 of DM4.3bn ($2.9bn) and revealed that negotiations to merge its MTU engine-making subsidiary with the BMW/Rolls-Royce joint venture had collapsed. Page 13

Bosnia war crimes move: The US will back the prosecution for war crimes of Bosnian Moslems as well as Serbs and Croats, but does not expect Serbian president Slobodan Milosevic to be indicted, Richard Holbrooke, Washington's envoy to the Balkans, said. Page 2

Italy expects early poll date: Italian president Oscar Luigi Scalfaro is expected to announce the dissolution of the country's 11th post-war legislature and fix a date for an early general election. Page 2

Turkish coalition nearer: An end to Turkey's two-month political deadlock appeared closer after the Islamist Refah party and the conservative Motherland party announced progress in talks on forming a government. Page 2

GPA close to deal: Ireland-based aircraft leasing company GPA is close to a deal with one of its creditors which will salvage a $2.7bn refinancing and head off a forced liquidation. Page 13

US factory orders rebound: US factory orders rebounded in December, suggesting the economy may not have been as weak as feared late last year, the Commerce Department said. Page 5

Philippines to let boat people stay: The Philippines said it would grant residence to Vietnamese refugees who refused voluntarily to return to their homeland under the United Nation's orderly repatriation scheme. Page 4

Philips profits up 18.9%: Rising demand for semiconductors enabled Dutch electronics group Philips to produce annual net profits 18.9 per cent ahead at Fl 2.52bn ($1.5bn). Page 13

Intensified IRA campaign feared: Fears of a full resumption of the Irish Republican Army terror campaign in the UK grew as police made safe a device in London. Page 7

India seeks to pre-empt nuclear treaty: India proposed an international convention that would bar countries from using or threatening to use nuclear weapons, in a move seen as a bid to pre-empt the signing of a comprehensive test-ban treaty. Page 4

Granada stakes claim on Yorkshire TV: Granada, the UK leisure, hotel and television group, indicated its interest in Yorkshire-Tyne Tees Television when it spent more than £50m ($75m) to take its stake in the company to just under 25 per cent. Page 13; Lex, Page 20

GKN faces rival: GKN faces a potential challenge to its world-leading role as producer of constant velocity joints used in front-wheel-drive cars. Rival technology is being developed by a UK engineering consultancy group. Page 7

Europe's birds given safer passage: Migrating birds returning to Europe won a reprieve from being gunned down when the European Parliament fixed January 31 as the date for the closing of the shooting season. The move was fiercely opposed by southern Europeans. Page 12

■ **STOCK MARKET INDICES**

New York lunchtime		
Dow Jones Ind Av	5,573.65	(-6.5)
NASDAQ Composite	1,091.47	(-3.5)
Europe and Far East		
CAC40	1,964.21	(+7.53)
DAX	2,508.69	(-3.60)
FT-SE 100	3,778.8	(+34.2)
Nikkei	20,865.19	(-57.40)

■ **US LUNCHTIME RATES**

Federal Funds	5¼%
3-mth Treas Bills: Yld	4.908%
Long Bond	98¼
Yield	6.140%

■ **OTHER RATES**

UK: 3-mo Interbank	6⅛%	(6⅛%)
UK: 10 yr Gilt	98⅞	(98⅞)
France: 10 yr OAT	104.93	(104.52)
Germany: 10 yr Bund	98.98	(98.84)
Japan: 10 yr JGB	110.535	(111.057)

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Mar)	$17.83½	(17.78)

■ **GOLD**

New York Comex (Apr)	$405.7	(406.5)
London: close	$404.0	(402.8)

■ **DOLLAR**

New York lunchtime:		
£	1.5365	
DM	1.46715	
FFr	5.0545	
SFr	1.1975	
Y	105.865	
London:		
£	1.5377	(1.5385)
DM	1.4713	(1.4692)
FFr	5.0683	(5.0633)
SFr	1.2001	(1.1993)
Y	106.11	(106.805)

■ **STERLING**

DM	2.2623	(2.2603)
Tokyo close:	Y 105.85	

Albania	LEK220	Germany	DM4.00	Lithuania	Lts15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr65	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$30	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr60	Hungary	Ft250	Morocco	MDh16	Slovak Rp	Sk65
Bulgaria	Lev130	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Croatia	[illegible]	India	Rs75	Nigeria	Naira90	Spain	Pta250
Cyprus	C£1.20	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Czech Rp	Kc60	Italy	L3300	Oman	OR1.50	Switz	SFr3.70
Denmark	DKr18	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Egypt	E£5.00	Jordan	JD1.50	Poland	Zl[illegible]	Tunisia	Din1.750
Estonia	EK22	Kuwait	Fils650	Portugal	Es250	Turkey	L70,000
Finland	FM15.00	Lebanon	LL3,000	[illegible]	[illegible]	UAE	Dh12.00
France	FFr[illegible]						

Private car dealers win cross-border sales ruling

By Emma Tucker in Brussels and John Griffiths in London

Independent car dealers yesterday fought off a legal challenge to their right to buy vehicles in the cheapest European Union markets for re-sale in their own countries.

The European Court of Justice ruled that non-franchised dealers, operating outside manufacturers' distribution networks, could sell new cars wherever they liked.

The case had been brought by dealers in France holding franchises for makes including Nissan, Ford, Peugeot, Citroën, Honda and Renault.

The court found that EU legislation on car distribution, which exempts some car sales from competition rules, did not extend to prohibiting independent dealers from buying cars outside the official distribution networks. There is no appeal against the ruling.

"This is a straightforward single market issue," an EU official said.

The Luxembourg court's decision is likely to anger official dealers in countries such as France, which say their business is being undermined by independents buying cars cheaply in neighbouring countries for resale back at home.

The ruling coincided with the release of European Commission figures confirming that countries with the weakest currencies had the best bargains for cars, while those with strong currency policies had the most expensive models.

Italy was the cheapest country, with the lowest prices for 30 out of 77 cars surveyed, followed by Portugal with 12 models and Spain and the UK with 10. Austria, Germany and France were the most expensive countries for 60 of the models in the survey.

The figures, together with the ruling, are likely to fuel pleas for compensation from car dealers in strong currency countries which say such price differentials – arising mainly out of currency fluctuations – have put them at a competitive disadvantage.

"As long as there is no monetary and tax harmonisation, these price differentials will tend to exist and people will tend to exploit them," said Mr James Rosenstein of Acea, the European car manufacturers association.

The Commission figures nevertheless showed that in spite of continued wide differences there was an overall narrowing of price differentials across the EU, reflecting a recovery in most of the weaker currencies.

Price differentials were narrower for Japanese cars than for European models. They were slimmest among medium sized cars – such as Fiat Bravos, Ford Escorts and Volkswagen Golfs – where demand is particularly strong.

The existence of such price differentials has led to an increase in the number of consumers prepared to shop around across borders for cheaper cars. Although this is legal within the single market, car manufacturers sometimes erect obstacles to try to protect their home markets.

Government 'misled' UK MPs over arms to Iraq

By Robert Peston, Political Editor, in London

A damning indictment of the British government machine and individual ministers over the policy on arms sales to Iraq in the 1980s was made by Lord Justice Scott yesterday.

The long-awaited 1,800-page report contained numerous examples of government mistakes and the misleading of parliament, but it cleared ministers of "duplicitous intention" in shaping guidelines or of a conspiracy to deprive defendants in the Matrix Churchill arms-to-Iraq case of a fair trial.

The report also concluded that no British arms reached Iraq or Iran during the war between the two countries in the 1980s.

After considering the report's findings over the past eight days, Mr John Major, prime minister, decided against seeking the resignations of the two senior ministers most criticised, Mr William Waldegrave, Treasury chief secretary and Sir Nicholas Lyell, attorney-general.

Mr Major decided to retain their services "without doubt and without hesitation", said a Downing Street official. However, the opposition Labour party and the Liberal Democrats will in the coming days mount a campaign to have them removed.

Sir Richard Scott's report says the government "designedly" misled parliament and the public that "a stricter policy towards non-lethal defence exports and dual-use exports to Iraq was being applied than was in fact the case".

Sir Richard also mounts a sustained attack on the culture of secrecy in Whitehall and the government, saying the "government attitude to disclosure was throughout consistently grudging".

The report also says the legal view of the attorney-general, which persuaded him to withhold documents from the trial of Matrix Churchill executives in 1992, was "unsound".

The government's publicity machine went into overdrive in an effort to prove ministers had been exonerated with a barrage of press releases and ministerial statements.

In the first round of what is likely be a lengthy battle between the parties, Mr Ian Lang, trade and industry secretary, made a vitriolic attack on Mr Robin Cook, the shadow foreign secretary, accusing him of defaming Tory ministers.

Mr Cook should "seek to make a personal statement and apologise to the House or resign", Mr Lang said.

After spending three hours studying the report in a guarded government office, Mr Cook said the report "weighs the standard of integrity in our government

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'Concealing of policy reprehensible', Page 7
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Bangladeshis wait to cast their ballots in Dhaka. Voters stayed away in droves from the country's parliamentary elections yesterday, observing an opposition boycott or frightened by violence that killed at least 6 people, witnesses and officials said Digest, Page 4 Picture: Reuter

Yeltsin unveils bid to hold presidency

Leader and Communist rival start race for Kremlin

By Chrystia Freeland in Ekaterinburg and Matthew Kaminski in Moscow

The race for the Russian presidency began in earnest yesterday as the leading candidates, President Boris Yeltsin and Mr Gennady Zyuganov, the Communist leader, announced rival bids for the Kremlin.

Speaking in his home town of Ekaterinburg, in Russia's industrial heartland, Mr Yeltsin staked his claim to the middle ground, saying he was the only figure who could protect his country from radical market reformers and Communist reactionaries.

"Russia is again at a crossroads. The extreme right is for a continuation of reform no matter what the cost. The extreme left is for the destruction of everything that has been accomplished, under the banner of socialist revenge," Mr Yeltsin said.

But his efforts to present himself as the only safe harbour in a sea of political extremes was marred by embarrassing diversions from his prepared text.

The president's most expensive digression was an apparently impromptu promise to pay Russia's Rb13,000bn ($2.8bn) mountain of wage arrears within the next month and, after that, to pay all wages throughout the country on time.

The Russian leader said he had found "money, physical money" to clear the wage debt and sought to underscore the sincerity of his pledge by telling his audience of nearly 1,500: "I have tied a noose around my own neck. I have nowhere to turn."

Other drastic announcements included a vow to end the war in Chechnya within months, and an off-the-cuff attack on Turkey. "The Turks have always threatened us, now they are helping the Chechens," Mr Yeltsin said.

By contrast, Mr Zyuganov delivered a bland address at the Communist conference in Moscow which confirmed him as the candidate of a united coalition of leftwing parties.

Mr Vitaly Mikhailov, minister for atomic energy, who accompanied Mr Yeltsin, provided his own touch of drama when he said

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Yeltsin touches on surreal, Page 3

Wallenberg to float half of Scania trucks for SKr30bn

By Hugh Carnegy in Stockholm

Sweden's Wallenberg industrial empire yesterday announced it would float 50 per cent of Scania, one of the world's leading truckmakers, next month in New York and Stockholm, at an expected value of about SKr30bn ($4.31bn).

The initial public offering (IPO), managed by Morgan Stanley, Enskilda and SBC Warburg, is believed to be the biggest of its kind.

In addition to the IPO, Investor, the main Wallenberg investment vehicle which wholly owns Scania, is to offer its shareholders a further 20 per cent stake in the truckmaker in the form of warrants, which give the right to purchase Scania stock at the IPO price.

The move marks a further stage in efforts by the Wallenberg sphere to maximise the value of its extensive blue-chip holdings and concentrate its resources on growth-orientated investments to balance its focus on cyclical industries.

Mr Claes Dahlbäck, Investor's chief executive, said an upturn in cyclical shares had convinced him the time was right to launch the Scania issue, despite a recent fall in demand in world truck markets. Investor first said it would float Scania a year ago but spurned the chance to cash in on a market boom in mid-year because the company was bringing out a new range of trucks.

Mr Dahlbäck insisted the offering would be a success. "There is a lot of money in the institutions which are interested in this type of offering, especially in the US," he said.

Mr Dahlbäck said the proceeds would be used to reduce Investor's net borrowings, which stood at SKr5.3bn at the end of 1995, up from SKr3.6bn at the end of 1994. They would also be used to make "new, but limited, investments in growth industries".

Scania yesterday underlined its record as the world's most profitable truckmaker, reporting a 31 per cent increase in profits after financial items in 1995 to SKr4.85bn from SKr3.68bn. Sales jumped to SKr34.8bn from SKr26.6bn and Scania's operating margin rose to 15.4 per cent.

Profits slipped slightly in the fourth quarter to SKr1.3bn from SKr1.4bn, as demand growth lowered or flattened in Scania's main markets in Europe and South America. But Scania said the profits fall was caused by increased costs linked to the new truck launch and said the operating margin in the fourth quarter was 15.6 per cent.

The IPO will be made to Swedish and foreign institutions and the Swedish public in March, with pricing due to be announced in the first week of April. A listing in New York and Stockholm will follow.

Investor itself announced profits in 1995 of SKr4.7bn, up from SKr3bn in 1994. Yesterday its shares fell SKr3.50 to close at SKr240.50. It proposed an ordinary dividend of SKr9.00 per share, and a special cash dividend to be issued in conjunction with the Scania warrants of SKr20.00 a share.

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Bosnia war crimes row

Milosevic may be allowed to escape charges

By Bruce Clark in London

The US will back the forthcoming prosecution for war crimes of Bosnian Moslems as well as Serbs and Croats, but does not expect Serbian President Slobodan Milosevic to be indicted, according to Washington's envoy to the Balkans.

Mr Richard Holbrooke, the architect of the Dayton peace agreement, yesterday threw Washington's full weight behind a pledge by Judge Richard Goldstone, the United Nations war crimes prosecutor, that all parties to the Bosnian war would be held to account.

Interviewed in London, Mr Holbrooke insisted that the military part of the Dayton accord was going better than expected, despite the strains that emerged this week because of Serb charges that the UN war crimes tribunal was biased.

He acknowledged that non-military provisions of the accord, calling for Bosnia's reconstruction, were going much too slowly – but excused Mr Carl Bildt, the international mediator, of any blame. Mr Bildt will co-chair this weekend's Balkan summit in Rome aimed at putting the peace process back on track.

Mr Holbrooke insisted that the US administration's strong commitment to Bosnia's Moslem-led government would not prevent Washington from backing the prosecution of Moslems suspected of atrocities.

"Judge Goldstone is a man of towering integrity," he said. "We in the US are totally supportive of his efforts. We are certain that he is impartial and he will be indicting people... of all three ethnic groups." So far 45 Serbs and seven Croats have been indicted.

Asked if the prosecution of Moslems would strain US-Bosnian relations, Mr Holbrooke said: "Our support for the war crimes tribunal is non-negotiable. Let the chips fall where they may." He made plain, however, that he did not expect Judge Goldstone's axe to swing as far as the presidential palace in Belgrade.

"It is my clear understanding that Milosevic is not in the sights of the war crimes tribunal," he said.

Mr Holbrooke said the slowness of civilian reconstruction in Bosnia was not the fault of Mr Bildt – who has been criticised strongly by unnamed US officials – but reflected his vague mandate and inadequate funds.

The US envoy used his farewell trip to London to reaffirm ties between London and Washington after a sharp exchange between the two capitals over Europe's alleged ineffectiveness in Greek-Turkish disputes.

Mr Holbrooke said his talks in London had confirmed his belief in the "historic fact that when Britain and the US stand together, we move the world".

He played down recent comments by the State Department which appeared to back the idea of legal arbitration for Greek-Turkish disputes. Greece broadly favours legal arbitration while Turkey wants bilateral talks.

Mr Holbrooke said of the arbitration proposal: "It wasn't our idea, we're not pushing it, we're just saying that if the parties want it, it's acceptable to us." He said a long conversation on Cyprus with Mr Malcolm Rifkind, UK foreign secretary, had shown up some "tactical differences" but firm agreement on two points: a major initiative on Cyprus this year was desirable, but was not practicable as long as the Turkish government crisis continued.

■ Mr Theodoros Pangalos, Greek foreign minister, said yesterday he hoped Mr Rifkind's support for direct Athens-Ankara talks did not imply pro-Turkish bias.

"I cannot imagine he is a fanatical enemy of Hellenism or a fanatical supporter of Turkey," he said.

Serbs freed yesterday by the Bosnian government pass through a checkpoint of Nato-led forces near the central town of Doboj Reuter

Ex-envoy for EU in Russia at centre of funds probe

By Lionel Barber in Brussels

Mr Michael Emerson, until recently the European Union's ambassador in Moscow, is under investigation for possible misuse of EU financial aid to the former Soviet Union, the Commission said this week.

The accusations are linked to the Tacis programme, the EU's chief means of funnelling money and technical assistance to Russia, Ukraine and former Soviet republics.

However, a spokesman declined to comment on the nature of any possible charges.

Mr Emerson left his post in Moscow several weeks ago after a five-year stint in which he led EU efforts to help Russia in its chaotic transition to a market economy. Commission officials said yesterday that Mr Emerson's transfer to Brussels had nothing to do with the investigation.

Mr Emerson, 55, is one of the Commission's most experienced diplomats. Born in France, educated at Oxford and Harvard, he served as adviser to Mr Roy Jenkins as Commission president in 1977-78, and as a senior macro-economist in Brussels in the 1980s, before moving to Moscow in 1991. He has just taken up a job as chief policy planner.

Brussels colleagues expressed surprise that Mr Emerson should be the target of an inquiry by the Commission's anti-fraud taskforce. But they noted that the problems with the Tacis aid programme had long been known, particularly the difficulty in establishing whether EU aid had been handed out to buccaneering Russian capitalists or organised criminal gangs.

Between 1991 and 1994, the Tacis programme committed Ecu1,756.84m £628m ($967m) to the former Soviet republics. But a good deal of the money was held up because of delays in signing contracts.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigila, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL
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Italians headed for April 28 election

By Robert Graham in Rome

President Oscar Luigi Scalfaro is expected to announce the dissolution of Italy's 11th postwar legislature by the weekend. He is also due to fix a date for an early general election, the most likely being April 28. This would be the third such poll in four years, underlining the inability of Italy's numerous political parties to provide a stable parliamentary majority.

The head of state has made a point of moving cautiously since Mr Antonio Maccanico, premier-designate, told him on Wednesday he was unable to form a government with broad cross-party support committed to carry out important constitutional reforms.

By yesterday, the main political parties of the 26 represented in the present parliament had all thrown their weight behind a quick election.

Mr Silvio Berlusconi, leader of the right-wing alliance, toyed briefly on Wednesday with the idea of pressing for a constituent assembly to avoid elections. But when he saw both the opposing centre-left parties and his main ally, Mr Gianfranco Fini, leader of the rightist National Alliance (AN), fully in favour of going to the polls, he quickly changed tune.

This leaves President Scalfaro with little option but to overrule his long-standing and publicly stated reluctance to allow Italians to go to the polls so soon after the March 1994 elections. Commentators said the sole area of initiative left to the president concerned the poll date and the caretaker government's mandate.

Mr Scalfaro would like to ask Mr Lamberto Dini, the outgoing premier, to stay in office until June. This would enable Mr Dini to supervise the remaining months of the Italian presidency of the EU and put in place at least the framework for the 1997 budget. Mr Dini resigned on January 12 but the outgoing prime minister's resignation is never formally accepted until the new premier has proved he can form a government.

Mr Scalfaro could thus announce in the next 48 hours he has not accepted Mr Dini's resignation. This formula would enable Mr Dini to govern with full powers – make nominations, take economic decisions – throughout the electoral period. Arguments for possessing such powers are strong: the decision-making process of government risks being paralysed not just until elections are over but for two months beyond.

However, Mr Dini is seen by the right as being partisan towards the centre-left, his backers for the past year. This hostility in the present climate allows Mr Dini little room for manoeuvre, whatever his mandate. The AN may yet object to Mr Dini being retained as prime minister at all. All these difficulties suggest a poll date no later than April 28.

Italian state broadcaster seeks to keep audience share and enter new field

Rai to bid for pay TV football rights

By Robert Graham in Rome

The Italian state broadcasting organisation, Rai, is to try to bolster its audience share by bidding for rights to transmit football matches on pay TV, even though it has yet to enter this field.

Rai's decision is part of a battle both to retain its 55 per cent audience share and for control of the fast developing new area of pay TV, which has some 800,000 subscribers.

The decision is linked to bids for a total of 12 radio and television contracts covering football transmissions over the next three years and worth at least L850bn ($540m).

In order to be able to bid for pay TV and pay-per-view rights, Rai will require government approval, endorsed by parliament.

With bids due to close at midnight yesterday urgent moves were afoot to postpone the deadline until the end of the month, when they were originally due to be opened by representatives of the 38 clubs in the Italian football league's first and second divisions.

The senate appeared to favour the initiative; but several deputies are concerned that Rai cannot easily enter pay TV when it is funded by licence fees and advertising. The Rai management is understood to have suggested the licence fee be cut to permit it to participate in this new sector.

The Rai move also comes as the management is in upheaval following the sacking of Mr Raffaele Minicucci, the chief executive, by Ms Letizia Moratti, the chairman. The latter's action has been challenged by the board of Iri, the state holding company and main Rai shareholder.

The outcome of the bids for the next three years' rights for some of Europe's best football concerns not only Rai. It will determine whether Mr Vittorio Cecchi Gori, the film producer and owner of Fiorentino football club, can establish himself as a third force in Italian television.

Last year he bought two small stations, Videomusic (specialising in youth programmes) and Telemontecarlo (a general channel).

Through offering extensive sports coverage, he hopes to raise his audience from under 5 per cent to around 15 per cent. But he also needs cash to do this, and has been looking around for a foreign backer. He has sounded out Mr Rupert Murdoch's BSkyB and News Corporation, which have voiced an interest – though it is still not clear whether this would be independent of any Italian partner.

The original auction was due to take place last autumn but Mr Cecchi Gori managed to get it postponed because he claimed he had been excluded. Then Rai was reported to have offered L471bn for three seasons for the League and championship transmitted via its existing terrestrial links. Telepiu, the international consortium controlled by the German Kirch and South African Rupert groups and in which Mr Silvio Berlusconi's Fininvest has 10 per cent, offered L165bn for the encrypted rights. Telepiu also offered L210bn for pay per view.

Since then Fininvest, whose chairman, Mr Berlusconi, owns champions AC Milan, has entered the fray to compete against Rai for the traditional league and championship coverage; and press reports suggest all last autumn's offers have been raised. The division of these spoils promises to be complex.

Turkish Islamists near to coalition

By John Barham in Ankara

An end to Turkey's two-month political deadlock appeared closer yesterday, after leaders of the Islamist Refah party and the conservative Motherland party announced progress in talks on forming a coalition government.

Mr Mesut Yilmaz, Motherland party leader, speaking after a two-hour meeting with Refah's leader, Mr Necmettin Erbakan, said: "We have almost agreed, but we have decided to meet again."

Mr Erbakan said: "An agreement will be reached to form a coalition government." But he said more talks were needed to agree on a common government policy.

He echoed widespread exasperation at the slow progress in coalition talks following December's general elections, in which Refah won 158 seats, becoming the largest party in the 550-member parliament. "For months the government has not been working, the business world is becalmed," Mr Erbakan said. "A government should be formed as soon as possible." The two leaders, who have been talking alone behind closed doors, are to brief their parties today and resume talks tomorrow.

Spokesmen for both parties have given no details of the talks but there have been reports in the Turkish media that the two parties would rotate the premiership, with Mr Yilmaz serving as prime minister first.

For both parties, there is the risk of defections if they form a coalition, with Motherland probably more vulnerable to desertions by MPs opposed to a compromise. Commentators estimate that up to 40 MPs of its 133 would reject an alliance with Refah, possibly denying the coalition a majority in parliament.

But most Motherland MPs appear jubilant at the prospect of taking power and humiliating Mrs Tansu Çiller, leader of the centre-right True Path party and caretaker prime minister. Coalition talks between Motherland and True Path broke down last week.

Mr Bülent Akarcali, a Motherland MP, said: "Mrs Çiller will be totally finished. I advise her to get the necessary residence visas for the US."

The business community yesterday appeared sanguine about Refah entering government, though continuing to express the hope that the Motherland and True Path leaders could bury the bitter personal rivalries on which their coalition talks foundered.

One businesswoman said: As long as the capitalist system is not changed, nothing changes for me. I really [doubt] that Refah will affect the secular system."

But Ms Radhika Ajmera, director of a London-based fund manager, Abtrust, said: "The problem is that there is going to be another weak coalition government and the critical reforms on the budget and inflation could be delayed even further."

Power brokers: Motherland party leader Mesut Yilmaz and Refah party chief Necmettin Erbakan

Turkey has been working on a $2m pipeline project to carry Russian gas to Israel, the Turkish state pipeline company, Botas, said yesterday, Reuter reports from Ankara.

Turkey wants to extend one of the existing Russian natural gas pipelines in Georgia or in Armenia to Israel via Turkey and the international waters of the Mediterranean.

Botas said the project had already been submitted to Israel. The 1,600km pipeline, with an annual capacity of 16bn cubic meters, will be built by a consortium of Transcanada (Canada), Del Men (Israel), Gazprom (Russia) and Botas.

EUROPEAN NEWS DIGEST

France to curb health spending

The French government, struggling to restrain the country's health spending and reduce the public deficit, said yesterday it would set a 2.1 per cent ceiling on this year's increase in spending and prescriptions by doctors, following the latter's failure on Wednesday to agree an alternative figure with the national health insurance office.

The prime minister, Mr Alain Juppé, had already threatened to try to keep doctors' spending to this year's estimated 2.1 per cent inflation rate when he launched his welfare reforms last year. He has promised to reinforce sanctions against doctors who breach the ceiling, but has not yet fixed these.

Last year, the doctors flouted a 3.3 per cent guideline to increase their spending and prescriptions by 5 per cent, and their fees, far from being frozen – as had been threatened by the government – rose by 4.4 per cent. In the negotiations that collapsed this week, the largest doctors union refused any 1996 limit lower than 3 per cent. *David Buchan, Paris*

Normandy plant contaminated

Serious radioactive contamination has been found at a nuclear reprocessing plant in Normandy in northern France, according to an independent report published yesterday. The study, commissioned by the environmental group Greenpeace, reports in particular high levels of radioactive elements including Iodine 129 in the soil, water and air at the Hague site on the northern French coast, north-west of Cherbourg. Investigations by CRII-RAD, an independent research laboratory, "reveal serious radioactive contamination of the environment and the industrial site", it said.

There was no immediate reaction to the report from authorities at the site, the world's biggest nuclear reprocessing plant, with a capacity to treat 1,600 tonnes of waste per year. The plant, in a peninsula on the Normandy coast, has been in operation for 25 years and receives waste from as far away as Japan for treatment. *AFP, Paris*

Lithuanians endorse PM

Lithuania's parliament yesterday endorsed Mr Mindaugas Stankevicius, a reformist former communist, as prime minister, following the ousting of Mr Adolfas Slezevicius last week over a banking crisis. The chamber, dominated by the ruling Lithuanian Democratic Labour party, also confirmed a new central bank chairman, Mr Reinoldijus Sarkinas, previously the finance minister.

The two leaders, both former technocrats, must deal with the economic fallout from the closure of the two largest commercial banks in late December. "My priorities are reviving the economy, continuing reforms and addressing social questions," Mr Stankevicius said.

President Algirdas Brazauskas chose the 65-year-old politician to replace Mr Slezevicius, who withdrew the equivalent of $30,000 from one of the banks two days before closing it. Mr Brazauskas, the Communist party leader who helped steer the Baltic country to independence, yesterday announced that Lithuania expected to begin talks on full membership in the European Union in 1997 or 1998. *Matthew Kaminski, Moscow*

MPs claim sect harassment

Turkish MPs have issued a report claiming that the minority Alevi Moslem sect is being harassed by both government security forces and separatist Kurdish guerrillas. MPs from the centre-left Democratic Left party and the People's Republican party say Alevi villagers in the remote eastern province of Sivas are being persecuted by troops from the elite Ozel Tim (special team) anti-guerrilla force. It also says that the Kurdistan Workers party (PKK), who usually operate in south-eastern Turkey, force Alevi villagers to feed guerrillas.

The report estimates that 70 villages in Sivas have been evacuated. It says: "We heard that some security officials are telling citizens to leave their villages. But mostly they are leaving [out of fear of] arrest and the terrorist threat." The MPs believe that forces are targeting Alevi villages because the PKK seems to be directing its attacks against orthodox Sunni communities, in an attempt to widen the divide between the religious groups. *John Barham, Ankara*

Russia cuts reserve needs

The Russian central bank said yesterday that it was preparing a new regulation to cut commercial banks' reserve requirements and to increase penalties for underpaid reserves. The central bank intends to cut the number of accounts which are covered by compulsory reserves, and to allow banks to cut the amount of monthly reserves.

The regulation will become valid in the first half of 1996. As of May 1, the central bank will increase fines for unpaid reserves to an amount equal to twice the level of the refinancing rate – currently 120 per cent annual – on the unpaid amount. At present the maximum fine for non-payment of reserves is only a derisory Rbs100,000 ($21).

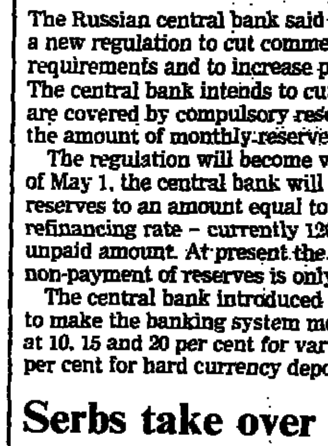
The central bank introduced compulsory reserves last year to make the banking system more stable. They are currently at 10, 15 and 20 per cent for various rouble accounts and 1.5 per cent for hard currency deposits. *Reuter, Moscow*

Serbs take over TV station

The Serbian government took over the country's first independent television station yesterday, annulling its privatisation and further tightening control of information. Police entered Studio B to switch off its broadcast antenna, interrupting an address to viewers by Mr Milorad Roganovic, who was ousted later from his job as Studio B TV chief editor. He said: "Only stupid authorities like these can deprivatise something that existed successfully for six years as a private company." The government launched a similar takeover in 1994, when journalists from the independent daily newspaper Borba were forced out of the company. *AP, Belgrade*

ECONOMIC WATCH

Portugal's inflation falls to 2.5%



Source: FT Extel

Portugal's year-on-year inflation fell to 2.5 per cent in January from 3.4 per cent in December, the National Statistics Institute said yesterday. Analysts said the reduction strengthened the prospect of average annual inflation falling within the government target of 3.0 to 3.5 per cent in 1996, from 4.1 per cent at the end of 1995. The average annual rate fell to 4.0 per cent in January. A 0.3 percentage point increase in monthly inflation in January, after a 0.2 point fall in December, was attributed to seasonal factors, including the effects of flooding on some fresh food prices, and is unlikely to affect the underlying downward trend, analysts said.

Reductions in value added tax included in the 1996 budget proposals, which are expected to be approved this month, will help offset the impact of increases in some administered prices, including transport and telecommunications, and tax increases on fuel. *Peter Wise, Lisbon*

■ Finland's annual inflation rate edged up to 0.5 per cent in January from 0.3 per cent in December but was down from 1.9 per cent in January 1995.

■ France's current account showed a seasonally adjusted surplus of FFr11.47bn ($2.26bn) in November, up from a surplus of FFr2.34bn in October.

NEWS: EUROPE

Zyuganov fails to excite

With sparse applause and little pomp, just 208 greying delegates from the reborn Russian Communist party yesterday confirmed Mr Gennady Zyuganov as their candidate to win back power in June's presidential elections.

Outside the small, jammed hall in central Moscow, a few party faithful hawked books on Stalin and the western conspiracy to weaken Russia. Inside, the Communist mini-convention revealed a party embittered by history and unreconciled even to the political rules by which it intends to play as older delegates blended Communist economic rhetoric, messianic appeals and straight xenophobia.

The mood was surprisingly subdued. "They've killed the Russian soul," said a retired army general who asked for a moment of silence to mark the seventh anniversary of the Soviet military's withdrawal from Afghanistan. "And who is to blame? All the people who sit on the benches of power."

The "Great Patriotic War", used by generations of Moscow leaders to legitimise their hold over an expanded Soviet Union and central Europe after 1945, was frequently evoked.

New evils were warmly criticised too – corruption, Nato, the war in Chechnya, and the southern Moslem threat. Mr Yeltsin came in for the harshest rebukes – one delegate warned that President Boris Yeltsin would use a $9bn International Monetary Fund loan to buy votes.

Delegates denounced the October 1993 coup and ensuing constitution – casting doubt on the legitimacy of the office Mr Zyuganov wants to gain.

A younger party leader from

Matthew Kaminski on the subdued mood of Russia's Communists

Krasnoyarsk expressed the fear among many delegates that others like Mr Vladimir Zhirinovsky, the nationalist, might profit from popular discontent with the current situation and capture protest votes.

Mr Zyuganov was opaque. He played to neither the western nor the hardline Russian audience. His acceptance address, delivered in the heavy prose reminiscent of Brezhnev-era party congresses, committed the Communists to do little in power except support a "mixed economy", improved social security and higher investment in industry.

After the address and a pro forma vote on the nomination, applause lasted barely 10 seconds and no one stood. The delegates emphasised the fight was just starting.

Gennady Zyuganov at the Communist party conference Reuter

Yeltsin touches on the surreal

By Chrystia Freeland in Ekaterinburg

Snow was magically cleared from the streets, hand-picked groups of loyal supporters were carefully assembled and pretty girls offered bouquets of flowers yesterday as Russian President Boris Yeltsin made a whirlwind tour of Ekaterinburg, his home town in Russia's industrial heartland.

But if the city gave its most famous son a Tsar's welcome, Mr Yeltsin long-awaited speech announcing his re-election bid suggested that Russia's modern emperor has no clothes.

Mr Yeltsin forgot his host's name, belittled four western heads of state, and made an off-the-cuff spending pledge that could cost $2.8bn over the next two weeks – all before he remembered to announce his candidacy in June's presidential elections.

When he could be bothered to read it, Mr Yeltsin's official statement suggested he hopes to position himself as the only presidential candidate offering a safe, centrist balance between radical market reformers and revanchist communists.

A carefully selected audience of local notables sometimes could not contain their laughter as Mr Yeltsin told them the International Monetary Fund had begun to have second thoughts about a $9bn loan to Russia after he reshuffled his cabinet replacing reformers with Soviet-era hardliners.

"It was necessary to switch on Clinton, and Chirac and Helmut Kohl and Major," Mr Yeltsin said. "They told the IMF, 'Stop playing around with Russia.' And now we have an agreement."

The political gaffes were compounded by digressions which were almost surreal. For example, Mr Yeltsin devoted several minutes to a detailed discussion of the plight of "young, attractive girls" working at Konfi, a confectionery factory the president visited yesterday morning.

He was distressed that many were unmarried and had few male co-workers upon whom to set their sights. He had an answer: an alliance with a local military academy.

His concern for the working girls of Ekaterinburg was matched by his off-hand approach to officials in his government. On several occasions he turned to the powerful regional governor and gave him abrupt orders: sack this factory director tomorrow, resolve this local environmental problem by July.

Today, wherever he goes and no matter what he says, Mr Yeltsin enjoys streets swept clear of snow and dutifully applauding audiences, but four months from now Mr Yeltsin must face the verdict of more than 100m Russian voters.

Polish referendum likely to generate many more questions than it answers

Parties in disarray over privatisation

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Poland's privatisation programme returns to the centre of the political arena this weekend when Poles vote in a referendum on privatisation. The referendum, called by the Senate at the request of the Solidarity trade union and the rightwing opposition, follows the reconfirmation of Mr Wieslaw Kaczmarek as privatisation minister in the new government headed by Mr Wlodzimierz Cimoszewicz and the speeding up of the pace of privatisation in recent months.

Solidarity openly refers to the referendum as the first step in a campaign to weaken the leftwing coalition government and force early elections, but it and other opponents of the government's privatisation programme face an uphill struggle.

The referendum is unlikely to do more than increase already widespread confusion over the merits of privatisation, and widespread incomprehension and apathy has prompted doubts about whether the referendum will achieve the 50 per cent turnout needed to make Poland's first free national referendum legally binding.

Part of the problem is the vagueness of the questions. The main one asks whether people are in favour of "uwlaszczenie", which translates as a mixture of empowerment and return of property. Those voting "yes" to this question will essentially be backing Solidarity's demand for remaining state assets to be given to in equal shares to all adult Poles.

The ruling Left Democratic Alliance (SLD) government has added other questions which would help salvage existing programmes.

Solidarity argues that the sale of shares to strategic investors, public share offers and employee buyouts is now mainly helping the former communist nomenklatura take over the economy.

The World Bank and EBRD-backed Mass Privatisation Programme (MPP), which was originally prepared by Solidarity-backed governments in 1991, has come in for intense criticism as a vehicle for handing assets over to foreign owners.

The Catholic Church has joined critics of the MPP, which involves the distribution of 512 state sector companies to 15 National Investment Funds (NIF) managed by local and foreign managers, including Kleinwort Benson, BZW and Creditanstalt of Austria. Shares in the NIFs are on sale to all adult Poles for a nominal 20 zlotys ($7.85); 6m of the 28m entitled to buy have done so since November, the rest have eight months to decide whether to participate.

A big question mark hangs over the value of the assets still publicly owned. The government's main concern is that the value of assets still in state hands – between 75bn and 130bn zlotys – would not cover Solidarity's suggested use for them or the wider expectations generated by Solidarity's campaign. Solidarity argues that state assets, including land and houses, are worth 10 times more than the government says.

The Freedom Union, the main moderate opposition group in parliament, has called on supporters to approve an extension of the MPP scheme which would add to the number of companies professionally managed by the NIFs.

Confusingly, this aligns it with the SLD on this aspect of the referendum, while the xenophobic Polish Peasant party (PSL), the SLD's junior coalition partner, opposes any extension and has in effect aligned itself with Solidarity's criticism of the MPP.

Meanwhile, the big conventional privatisations now in the pipeline, such as sale of a majority stake in the state-owned telephone company and partial disposal of profitable assets such as the Miedz copper company, are likely to go ahead without interruption, and a proportion of the proceeds are likely to end up in the hands of the new pension funds which the government intends to set up as a crucial element in its reform of the social security system.

REFERENDUM QUESTIONS

1. Are you in favour of the general enfranchisement of the population?

2. Do you support the fulfilment of treasury commitments to pensioners and state employees from privatised state assets?

3. Do you support the use of privatised state assets to capitalise pension funds ?

4. Do you think the value of National Investment Fund coupons should be increased by the addition of further companies to the mass privatisation programme?

5. Do you think the enfranchisement programme should include privatisation coupons ?

Prague seeks to annul steel plant sale

By Vincent Boland in Prague

The Czech government will try to annul the sale of one of the country's biggest steel plants to a prominent businessman after protracted talks this week failed to secure its financial viability.

The National Property Fund, the state holding company, said yesterday it would ask the courts to declare invalid a 1993 tender under which 55 per cent of the Poldi Ocel steel plant was sold to the businessman, Mr Vladimír Stehlík.

Its decision follows Mr Stehlík's refusal to consider any rescue attempt for Poldi that would have diluted his majority stake or threatened his position as the plant's chief executive. The plant, which employs 6,000 in Kladno, north of Prague, has debts estimated at Kcs3.8bn (£91.6m), incurred since he bought his stake.

Mr Stehlík had earlier rebuffed a rescue attempt by the engineering group Skoda to save Poldi because it would have meant cutting his stake to 49 per cent and introducing new managers. Skoda would have acquired another 49 per cent, while Poldi's main creditor, Komerčni Banka, would have taken 2 per cent.

After those talks broke down, Prime Minister Václav Klaus said the government, facing a general election in just over three months, would take "uncompromising" measures to deal with the crisis.

Mr Stehlík paid Kc1bn for his stake in Poldi in 1993 through his private company, Bohemia Art. Earlier this year, he failed to meet a deadline for payment of Kcs750m for an extra 11 per cent, sparking a row with the National Property Fund, which owns most of the shares in the plant not held by Mr Stehlík's company.

If the original tender is revoked, Poldi will revert to state ownership. It is the biggest troubled Czech privatisation yet; there seems little hope it could be privatised again without restructure.

Philippines to let boat people stay

By Edward Luce in Manila

In a radical break from regional practice the Philippines said yesterday that it would grant residence to those Vietnamese refugees in the Philippines who refused voluntarily to return to their homeland under the United Nation's orderly repatriation scheme.

In what would amount to a clear departure from an agreement sponsored by the United Nations in Bangkok last month, the Philippine government would not forcibly repatriate any of the 2,700 Vietnamese "boat people" in the Philippines, although attempts would be made to persuade them to return voluntarily, said Mr Domingo Siazon, secretary for foreign affairs.

Mr Siazon said the Philippines took a more humane view on refugees than some of the country's south-east Asian neighbours, saying: "A human being is a human being irrespective of his passport." The government's decision comes two days after the controversial repatriation of 84 Vietnamese refugees from the Philippines, which eyewitnesses claimed had been forcible.

Mr Siazon conceded that one of the 84 had been coerced to board the Vietnam Airlines flight by troops. This was a "mistake" and she would be returning to the Philippines shortly. Many of the remaining 2,700 boat people in the Philippines have threatened to commit suicide if forced to return. The government is expected to "regularise" their stay in the Philippines if they cannot be persuaded to return before June 30 when UN funding for the camp expires.

The decision, which has been prompted by strong Catholic church lobbying in the Philippines, comes only weeks after the country took part in a UN meeting where regional governments agreed to repatriate forcibly the Vietnamese boat people over the next six months. About 36,000 "boat people" remain in camps throughout the region including Hong Kong, Malaysia, Indonesia and Thailand.

Participants at the Bangkok meeting, which produced a comprehensive plan of action, agreed the boat people were not "refugees" in the legal sense and should therefore be repatriated as soon as possible. The Hong Kong administration, which plays host to the largest number (21,000), said it would return 1,800 a month, which, according to Hanoi, is Vietnam's maximum rate of absorption.

The UN High Commissioner for Refugees, which has footed the bill for Vietnamese refugees since the problem began 17 years ago, is keen to close the chapter on the problem by mid-1996.

Elderly savers hurt by Japan's low interest rates

By William Dawkins in Tokyo

Mr Wataru Kubo, Japan's 66-year-old Socialist finance minister, yesterday caused a shudder in the Tokyo capital markets by voicing concern over the impact of low interest rates on small savers.

Mr Kubo told parliament that low rates were "no doubt having serious effects on the lives of people living on pensions and the elderly, and those people must be taken into account when reviewing the policy".

His remark was quickly countered by senior officials from the Bank of Japan and Finance Ministry, who stressed no change in the existing policy of keeping the official discount rate at a record low of 0.5 per cent to support a hesitant recovery from what has been the longest economic downturn since the 1930s.

Most economists in Tokyo do not expect a change in official rates until next year, barring a stronger and earlier than expected economic upturn.

While the central bank and finance ministry's monetary policy will prevail, Mr Kubo's outburst is significant because it turns interest rates into a political issue for the first time since the present monetary easing began last September. His heresy caused money market and bond yields to rise and the dollar to weaken below Y106 in late Tokyo trading.

Mr Kubo's Social Democratic party, the second partner in a government coalition dominated by the pro-business Liberal Democratic party, derives much support from the elderly, who make up a substantial proportion of Japan's savers.

The SDP's popularity has fallen sharply recently and LDP officials have suggested they might seek a general election in the spring.

Interest income accounts for around 10 per cent of household disposable income, estimates JP Morgan, the US investment bank, and savings balances increase sharply with age. Households aged more than 60 have average savings of around Y19m (£116,000), ten times the rate for those in their 20s, estimates the bank.

Over-borrowed companies are still suffering even at the current low level of interest rates, as shown by a 7.5 per cent rise in corporate collapses, to 1,120 last month, announced by Teikoku Databank, a credit research agency, yesterday.

Liabilities left by bankrupt companies fell by 1.3 per cent to Y323.76bn, indicating that smaller companies are under the most strain. Bad loans and declining sales accounted for 60 per cent of collapses, said the agency.

Political uncertainty and weak consumer spending

Taiwan's growth falters in spite of export surge

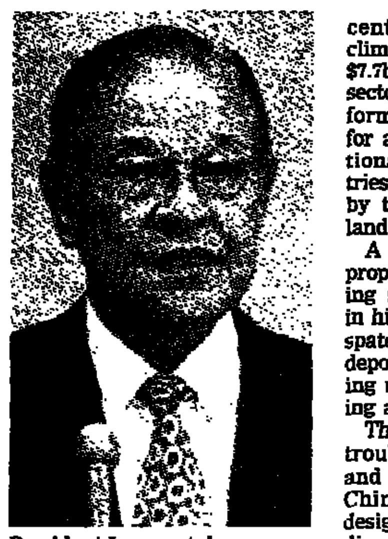
By Laura Tyson in Taipei

Sluggish consumer spending, a slowdown in the manufacturing sector and political uncertainty conspired to send Taiwan's economic growth rate lower last year in spite of strong growth in exports. The government's central statistics office said yesterday that growth in gross domestic product fell to 6.06 per cent in 1995, compared to 6.54 per cent in 1994 and well below a forecast of 6.4 per cent announced last November.

Consumer confidence has been hit by a string of financial crises and the abysmal performance of the stock market last year. Escalating tensions with China, coupled with worries about domestic politics, have also contributed to reduced consumer spending.

The statistics office forecast the economy would grow 6.36 per cent in 1996 on the strength of a predicted recovery during the second half of the year. Tensions across the Taiwan strait are expected to ease and public sentiment to improve following the country's first direct presidential elections on March 23.

The incumbent president, Mr Lee Teng-hui, of the governing National party, is widely expected to win the race, which it is hoped will provide continuity for the island's increasingly democratised establishment.



President Lee: party's majority is marginal

The gross domestic product grew 4.86 per cent in the fourth quarter of last year, down from 7.01 per cent during the same period in 1994 and 6.02 per cent in the third quarter of last year. The statistics office attributed the drop to declines in both the services and manufacturing sectors. It forecast growth of 5.82 per cent in the first three months of this year.

Exports jumped 21.4 per cent last year but imports nearly kept pace, rising by 20.0 per cent. The trade surplus climbed to $8.1bn (£5.3bn) from $7.7bn in 1994. The electronics sector has been the star performer, partly compensating for a "hollowing out" of traditional manufacturing industries forced to flee the island by the rising costs of labour, land and materials.

A deepening slump in the property market hit the banking sector last year, resulting in higher bad debt ratios and a spate of bank runs by jittery depositors. Banks are becoming more conservative in lending as a consequence.

The stock market, rattled by troubles in the construction and banking industries and Chinese military exercises designed to intimidate Taiwan, dived 27 per cent in 1995. Taiwan has a high level of share ownership and more than 90 per cent of trading volume comes from retail investors, so poor performance in the stock market has a direct impact on consumer spending.

Hotly-contested parliamentary elections in December left the long-ruling Nationalist party with a marginal majority in the legislature, adding to uncertainties among investors. Opposition parties and independents now control 81 seats in the 164-seat legislature and are making it more difficult for the ruling party to carry out its policies.

Australia opposition offers cut in deficit

By Bruce Jacques in Sydney

Mr John Howard, the leader of Australia's opposition coalition group, has released funding details for his election policies that propose a large reduction in the Australian budget deficit.

Mr Howard yesterday detailed A$6.3m (£3.1m) cuts to government outlays, augmented by revenue increases of A$2.5bn, with a A$1.8bn budget impact in the first year. But the package stopped short of any big cuts to education, health and employment programmes.

Key savings areas include almost A$1bn over three years on government information technology, and A$432m more through a 2 per cent savings rule on all government departments.

Other savings would include A$616m on migrant waiting periods, A$470m on flow-ons from the proposed partial sale of Telstra, the Australian communications group, A$383m on government-provided import finance, and A$300m on better practice programmes.

To boost revenue, Mr Howard is targeting A$727m from toughening research and development tax concessions, A$1.3bn from modifications to the tariff concession system, and A$197m more through extending the tax net.

But the package also identifies new spending initiatives totalling almost A$2.8bn over three years with A$659m coming in the first year. The largest of these is a A$1.08bn incentive package for private health insurance. Other big items include a A$175m package on the environment, more than A$300m in road funding and A$100m in research and development grants.

The proposals include anti-tax avoidance measures for high-income earners and other measures already announced by the government, to produce an estimated A$8.6bn cut in the budget deficit over three years. Mr Ralph Willis, federal treasurer, called the statement "grossly deficient".

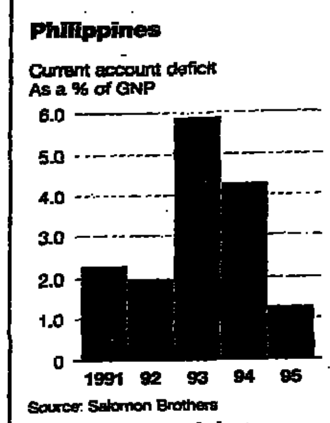
ASIA-PACIFIC NEWS DIGEST

Low turnout in Bangladesh vote

Bangladesh's opposition-boycotted election passed off more peacefully than feared yesterday under the eyes of 400,000 police, armed paramilitary forces and troops, some deployed in Dhaka with fixed heavy machine-guns. Six people, including a policeman, were killed in sporadic nationwide clashes. Officials said voting was abandoned at 306 out of 21,000 voting stations because of violence.

A "people's curfew" called by opposition parties kept most voters at home. But government officials said they were "not unhappy" with a patchy turnout which eyewitnesses put at no more than 10 per cent of the 56m voters. Both the governing BNP and the opposition claimed victory. BNP officials termed the small turnout "satisfactory", offering the next government "legitimacy". *Mark Nicholson, Dhaka*

Manila expects falling deficit



The Philippine current account deficit is set to plummet to about 1.3 per cent of gross national product for 1996 in what will be a strong counter-trend to the performance of other south-east Asian economies, Mr Gabriel Singson, Philippine central bank governor, yesterday said the country's performance was backed by strong export growth and higher overseas worker remittances. The performance, which exceeded the International Monetary Fund agreed 3.2 per cent target, is attributed to 30 per cent export growth last year and a 66 per cent increase in overseas remittances to $4bn (£2.6bn). *Edward Luce, Manila*

Pakistan bank sale in trouble

In an attempt to salvage the sale of the state-owned United Bank (UBL), Pakistan's second largest bank, the government yesterday set up a committee to hold discussions with two possible buyers. The bank sale ran into trouble on Wednesday when one of the two, Saudi Arabia's Basharahil group, did not make a formal offer. The government rejected the sole offer from Faysal Islamic bank of Bahrain, saying it had too many conditions attached. *Farhan Bokhari, Islamabad*

Hashimoto ex-aide 'sought fee'

A former Finance Ministry aide of Japan's prime minister, Mr Ryutaro Hashimoto, was accused of demanding payments for allegedly introducing bankers to Mr Hashimoto, during questioning in yesterday's parliamentary budget committee session over the controversial bailout for *jusen* (housing loan companies). Mr Yoshinosuke Sasaki, a president of Togensha, a real estate developer, claimed a former secretary to Mr Hashimoto – when he was finance minister – had demanded a Y40m (£245,000) fee for introducing banking officials. Former ministry officials were questioned over the delay in addressing problems at the *jusen*. Mr Nobuyuki Teramura, former director of the ministry's banking bureau, denied allegations he had quashed an attempt by commercial banks to write off the *jusen's* bad loans. *Emiko Terazono, Tokyo*

Egypt names 80 companies for privatisation this year

By James Whittington in Cairo

Egypt yesterday took a decisive step towards privatising its state-dominated industry by releasing a list of more than 80 companies it hopes to sell this year.

The list includes many hotels, Nile cruisers and some of the state's most profitable industrial concerns in cement, metallurgy textiles and food.

Mr Atef Obeid, minister of public enterprises, who has been overseeing Egypt's hitherto sluggish privatisation programme, said the list of companies represented about 45 per cent of the public sector's portfolio.

He estimated that their sale would raise about E£14bn ($4.13bn) which, after paying off bad debts to public sector banks, would be available to the budget.

"Our main purpose (in releasing the list) is to send a strong signal that the government is committed to pulling out of these state enterprises and we will from now on treat all players, whether public or private, as equals," he said.

Privatisation is the linchpin of the second phase of Egypt's economic reform programme agreed with the International Monetary Fund (IMF), World Bank and international aid donors led by the US in 1991. But until now the government of President Hosni Mubarak has dragged its feet over the sales, fearing that accelerated sell-offs risk worsening unemployment.

> 'Our main purpose is to send a strong signal that the government is committed to pulling out of these state enterprises'
> *Atef Obeid, minister of public enterprises*

Out of 314 unidentified state entities initially slated for sale, only three have so far been sold outright, 10 have been liquidated, and 16 have been partly divested through the issue of 10 per cent blocks of shares to the public.

Donors have warned the government that it cannot hope to achieve the rates of economic growth necessary to raise living standards unless it embarks on a large-scale privatisation programme along with other structural reforms.

The list includes profitable companies across all business sectors. Included are:

- Sixty-one companies either already partially privatised on, or soon to join, the Cairo Stock Exchange which will now divest more shares to foreign and local private investors through the bourse. Of these 37 will sell a majority stake.
- Fourteen companies in the food, engineering and industrial sectors which will be offered for direct sale to foreign or local investors.
- Thirty-six hotels throughout Egypt, nine Nile cruisers and six retail chains.

Mr Obeid said the government would soon issue up to E£1bn ($295m) in privatisation bonds to help restructure the next batch of companies being prepared for sale. "The bonds will be issued at a premium on the capital market, the proceeds of which will be used to settle debts and capitalise more companies ready for sale," he said.

He admitted that redundancies would be unavoidable but they would not be on the large scale feared by the anti-reformists in the government. "What is dead wood has to be burned but we'll take care of all laid-off workers either in the form of a lump sum payment or a pension," he said.

Since the appointment of Mr Kamal el-Ganzouri as prime minister in January Egypt's donor community says it has noticed a change of style and attitude in the government in favour of faster economic reforms.

Later this month talks are set to resume between the IMF and Egypt, after 18 months of sour relations caused by the slow pace of reform.

Emerging markets lift global securities trade

By George Graham, Banking Correspondent

Cross-border dealing in securities climbed by 20 per cent in value last year to nearly $35,000bn, according to figures from the two main international settlement systems.

Volume has risen more than 5½ times in the last five years.

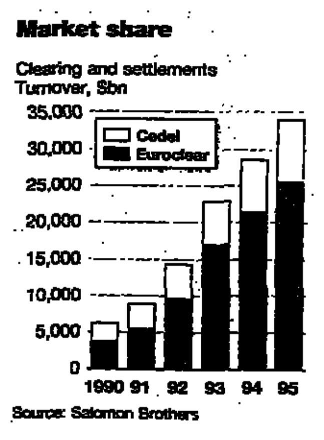
The jump reflects the growth in transactions in emerging financial markets in Latin America and Asia, as more countries plug their domestic securities markets into the multinational clearing houses.

Euroclear, the Brussels-based system operated by Morgan Guaranty of New York, said the value of transactions settled through it rose 14 per cent to $25,000bn.

Turnover at Cedel Bank, a consortium owned by 98 financial institutions and with headquarters in Luxembourg, climbed by 34 per cent to $9,440bn.

Cedel and Euroclear were originally established as settlement mechanisms for the Eurobond market, but in recent years their growth has been fuelled by their links to national securities settlement systems. "The Eurobond market has grown, but the rate of growth in domestic markets has outpaced it significantly," said Mr Ray Soudah, chief financial officer of Cedel.

"Capital market linkages and the ease with which you can have cross border investment is permitting more aggressive fund management," he added.



Both Cedel and Euroclear added links to Latin American markets such as Argentina and Mexico last year, while the South African, Indonesian and Thai markets are also being linked up to the international settlement system.

Next month the UK gilts market will enter Cedel and Euroclear.

Although both systems predominantly handle the settlement of transactions in bond, note and money market instruments, they have also established links to domestic equity markets.

The range of currencies used in settlement is also expanding, although the D-Mark remains by far the most important currency, followed distantly by the US dollar.

Cedel's share of international settlements has declined markedly since the 1980s, but last year it recovered to nearly 27 per cent of the market.

Efforts are now under way to adapt the systems to real time settlement, which many domestic securities markets are preparing to introduce.

New Delhi tries to tie N-test ban in knots

India proposed an international convention yesterday that would bar countries from using or threatening to use nuclear weapons, in a move seen as a bid to pre-empt the signing of a comprehensive test-ban treaty, AFP reports from Geneva.

The proposal was put forward by Ms Arundhati Ghose, India's representative at an international disarmament conference in Geneva held under the auspices of the United Nations and attended by 38 countries.

"Such a convention would codify the legal norm against the use of nuclear weapons which already exists in the principles of inter-nation armed conflict," she said.

The move came after the failure of an earlier call from India to tie in the conclusion of a comprehensive nuclear test ban treaty (CTBT) with a time-table for the five official nuclear powers to dismantle their nuclear weapons.

A delegate said India was trying to "take the conference hostage" to stop a test ban treaty. The treaty has been under negotiation for more than two years in Geneva. The US is strongly opposed to the Indian conditions, and US representatives said last week that New Delhi was trying to hinder finishing the test ban talks, which it would like to see concluded by summer.

Delegates said the new Indian proposal was an idea accepted in principle but not yet defined as a treaty point. They said India was presenting maximum demands in order to block a minimal treaty that would stop it from conducting nuclear tests.

Ms Ghose said the failure to link disarmament to the test ban treaty was "not only a matter of deep regret but of dismay". She said the rejection of the Indian proposal "cannot but affect our positions in the CTBT negotiations, a development we had felt avoidable". India has the technology to make nuclear weapons but does not officially possess the bomb.

First world smartcards and third world pensioners

Mark Ashurst witnesses technology at the service of South Africa's rural poor

There can be few more striking illustrations of South Africa's hybrid of first and third worlds than pension day in Kangwane, a former black "homeland" about 400km east of Johannesburg.

Each month, a thin line of grandparents and great-grandparents shuffles across the rural wilderness clutching fresh banknotes dished out by the most sophisticated cash dispensers in the world.

The machines are the hub of a thriving market economy. Mounted on unmarked pick-up trucks and escorted by armed guards, they are pursued across the hillsides by traders carrying buckets of freshly-slaughtered meat, caged chickens, and an array of traditional medicines. The able-bodied carry the disabled and infirm with them in wheelbarrows.

Under makeshift awnings, every pensioner swipes a plastic card through the machine, then rolls a weathered finger across a tiny scanner which checks the fingerprint against a digital template and dispenses a monthly allowance of R410 (£75). The service is run on behalf of assorted rural administrations by Cash Paymaster Services, a private company formed in 1988 in a joint venture between First National Bank and Datakor, the industrial technology group.

Since pioneering automated pension payments at the behest of the former KwaZulu administration, the service has spread to other provinces and dispenses payment to about 400,000 senior citizens. The busiest vehicles carry up to R1m in cash, most of it destined for areas that can be reached only by four-wheel-drive trucks. Mr Willem Joubert, business development manager at CPS, estimates that the cost to the taxpayer is about 15 per cent cheaper than a bureaucracy-based system.

This is the thin end of a potentially very big wedge, as FNB recognised last year when it bought out Datakor to acquire CPS as a wholly-owned subsidiary. The company handles pension payments in neighbouring Namibia and has begun distribution of unemployment benefits in the Western Cape.

With a little modification, the same machines can be used for voter registration, wage payments and a range of banking services including transfers and withdrawals.

Mr Mike Jarvis, general manager of information technology at First National Bank, believes "biometrics" – the generic name for technologies which identify natural characteristics unique to an individual – will become "the only secure means of activating financial transactions". These include finger and voice prints, retina scanning and image digitalisation – technology tailor-made for a market characterised by high crime, widespread fraud, and a vast, impoverished and mostly illiterate rural population.

"Bankers are typically administrators," says Mr Gerry Cassidy, head of FNB's Technology Innovations Unit. "They look at internal problems. This department is staffed entirely by non-banking people."

The unit recently completed the world's first trial of voice-verification systems at a financial institution. Jointly developed by US telephony giant AT&T and its subsidiary, National Cash Registers, voice recognition software was installed in cash dispensers as an alternative to pin codes. "Passwords and pins and cards depend on ownership and knowledge, which are inherently flawed because they can be passed on to others," says Mr Cassidy.

In a country with 11 languages, machines that are not baffled by new tongues have huge potential to simplify everyday banking operations. But in the last six months, enthusiasm for voice verification systems has been surpassed by the introduction of more discriminating 3D monitors that recognise the unique geometry of a client's fingers.

"Banks are very sensitive to the rate of false rejections: people who are entitled to a service don't like to be turned away," says Mr Cassidy. Fingers get dirty or damaged, but they rarely change shape. Designed in partnership with Biomet, the Swiss-based technology group, the hardware is already familiar in Europe as a conventional security device but has never been used in banking.

In time, such technology may smooth the path for the traditionally white-controlled banking industry to penetrate the informal black economy. Harnessing the dynamism of South Africa's township economies, often just a few miles outside the developed cities but light years away in terms of business culture, is one of the greatest challenges facing the country's new government.

Banks' knowledge of hitherto neglected markets is set to improve markedly with the introduction of smart cards as the payment mechanism of the future. These will enable shopkeeper's cash registers to deduct money electronically from pre-paid cards, which can be replenished at modified cash dispensers. The chip implanted in such cards will enable marketing departments to track spending habits and provide instant customer profiles.

Mr Cassidy's favourite innovation is the "smartbox", a mobile cashbox which keeps a tally of its contents and transmits an encrypted data stream with a constantly updated record of deposits to its destination bank. This eliminates discrepancies between the bank and its client, a source of controversy among banks everywhere.

The FNB box, however, has an added feature: if tampered with, it sprays its contents with indelible purple ink – much the same as that with which the security police sprayed anti-apartheid protesters in the 1980s. Companies which use the smartbox regularly, including South African Breweries, Edgars, the fashion store, and OK Bazaars, the supermarket chain, have yet to report a resurgence of the graffiti inspired by the coloured ink in the 1980s, when township walls proudly proclaimed: "The Purple Shall Govern".

'Anti-smokers' court hopes are re-ignited

Anti-tobacco campaigners have got US cigarette makers on the run, judging from the note of triumphalism heard since they were joined by Mr Jeffrey Wigand, the tobacco industry's highest-ranking defector.

Lawyers for anti-tobacco plaintiffs say Mr Wigand's accusations against his former employers have transformed the outlook for litigation against cigarette makers by putting the tobacco industry, rather than the plaintiffs, into the dock.

US cigarette makers earn $45bn a year in retail sales. But in four decades of lawsuits against the industry, no cigarette manufacturer has paid out a cent in damages. This is because juries have taken the view that everyone knows the risks associated with smoking and accepts them when they choose to smoke.

Among other things, Mr Wigand, the former head of research at Brown & Williamson Tobacco, the US arm of Britain's BAT Industries, said his former employers had long known that the nicotine in tobacco was an addictive drug even when they made public statements to the contrary.

Mr Richard Daynard, chairman of the tobacco products liability project at Boston's Northeastern University, is one member of the anti-tobacco lobby who thinks Mr Wigand's accusations will change the outlook of juries in future trials.

"Juries can look at a case in one of two ways," Mr Daynard says. "They can look at it as they have in the past, as a trial of the plaintiff – shouldn't he have tried harder to quit, shouldn't he have responded to the health information, and so forth – or they can look at it as a trial of the defendant.

"I think what Jeffrey Wigand has to say, both in terms of the attitudes that jurors bring into the case as well in terms of his testimony, will make the jury quite angry with the tobacco companies and get them to think about this in terms of what the companies have done rather than what the smoker has done."

Mr Wigand is easily the most important whistle-blower to have crossed to the other side. His accusations against his former employers, made most recently in the CBS News television programme "60 Minutes", have attracted extensive and largely sympathetic coverage in the US media.

Mr Wigand further accused Brown & Williamson of manipulating and adjusting the nicotine "fix" in cigarettes, not by artificially adding nicotine, but by enhancing its effects through the use of chemical additives such as ammonia.

He also claimed that Brown & Williamson, fearful of lawsuits, had frustrated his efforts to develop a safer cigarette because this would imply that the company's other products were unsafe.

Brown & Williamson says: "Mr Wigand has made many unsubstantiated allegations about the company.

"So far we have only heard one side of the story, but when we get the opportunity to cross-examine him in court, the truth about his credibility will come out."

Brown & Williamson's opportunities may prove legion, for US tobacco companies are currently facing an unprecedented wave of litigation.

In one civil action, known as the Castano case after one of the plaintiffs, present and former smokers are trying to bring a multi-billion-dollar class action against the industry claiming compensation for their addiction to nicotine.

If the class action goes ahead, it will rank as the biggest in US corporate history. Separately, at least four states are suing the industry in an attempt to recoup about $5bn of public funds spent on treating tobacco-related illnesses.

And in Washington, the Justice Department is conducting a criminal investigation to determine if tobacco executives perjured themselves before Congress in 1994 by insisting tobacco was not addictive.

Mr Wigand has already been called to give evidence in some of these cases, and seems likely to become involved in them all. Mr Mike Moore, attorney general for Mississippi, one of the states suing the tobacco industry, says Mr Wigand's testimony will prove "devastating".

Mr John Coale of Coale & Van Susteren, one of the law firms for the plaintiffs in the Castano case, agrees. He says Mr Wigand's testimony about the truthfulness of the tobacco industry will prove crucial.

"The tobacco industry's argument has always been that one has the freedom to choose," Mr Coale says. "But in order to make any choices, you need to have all the facts and the truth."

But there are still those who argue that nothing fundamental has changed. One leading tobacco analyst, Mr Gary Black of Sanford C. Bernstein, the Wall Street investment house, says research carried out by his firm among potential jurors indicates that Mr Wigand's testimony may carry little weight.

"What you find is that people say: 'Well, there have been warning labels on the packs since 1966, and the surgeon general has been telling everyone that cigarettes are dangerous since 1964, and the surgeon general actually came out and said nicotine was addictive in 1988: so the period Wigand was at Brown & Williamson – from 1989 to 1993 – is irrelevant, because that information was already in the public domain'."

Mr Black says recent rises in the tobacco companies' share prices indicate that Wall Street has discounted the Wigand factor. "The game plan of the plaintiff's attorneys is to make a lot of noise and create a wave of anti-tobacco publicity to force the defendants to come to the bargaining table and settle with them," he says.

Richard Tomkins

GM may lease its electric cars

By Haig Simonian in London and Christopher Parkes in Houston

General Motors, the biggest US carmaker, is poised to lease rather than sell its pioneering EV1 electric vehicle, in a decision reflecting the industry's concern about the commercial appeal of electric cars.

The company, which has invested more than $350m in electric vehicles, said in January that it would start building the EV1 later this year for sale in California and Arizona. GM indicated the car would sell for around $35,000.

GM is the most active of the "big three" in developing electric cars. Last year it conducted a big test programme for the Impact, the EV1's predecessor, with the public.

GM's decision to lease the EV1 demonstrates the continuing uncertainties among carmakers about electric vehicles, in spite of efforts by environmentalists and legislators in some states to pass laws favouring alternatives to the internal combustion engine.

GM's decision to go ahead with the EV1, a sleek coupé with an urban range of 70 miles, followed talks last year between motor and oil industry representatives and California's air pollution authorities on whether carmakers should be obliged to sell a fixed proportion of non-polluting "zero-emission" vehicles in the state.

Leading carmakers have criticised quotas for electric cars because they say battery technology has not advanced enough for them to be commercially viable.

Ms Helen Petrauskas, Ford's vice president for environmental and safety engineering, told an oil industry conference this week the prospect of a "realistic" electric car with the capabilities and appeal of conventional vehicles seemed to be retreating.

She said the chances of "hybrid" cars, powered by, say, batteries and a small internal combustion engine, appeared brighter. But even that view was blurred by current lack of technological insight into potential problems, she said.

It was "highly unlikely" the world would see an electric vehicle functionally interchangeable with a traditional car in the next decade. If and when an acceptable electric car appeared, sales would also be dim, she told the 15th annual executive conference organised by Massachusetts-based Cambridge Energy Research Associates.

Buchanan aide forced to quit

By Patti Waldmeir in Washington

A co-chairman of Mr Pat Buchanan's campaign for the US presidency was forced to step aside yesterday amid controversy over his links with white supremacist and right-wing militia groups.

The controversy over the extreme views of Mr Larry Pratt, who took leave of absence from the campaign, highlights the main obstacle to Mr Buchanan's presidential ambitions: that he may be too radical to attract support from moderate Republicans.

Senator Bob Dole, the Republican frontrunner, was poised yesterday to capitalise on the conservative commentator's campaign setback. Mr Dole has already been running television advertisements in New Hampshire saying Mr Buchanan, his closest challenger to date, was "too extreme" to be president. Mr Dole has said he must win next week's New Hampshire primary in order to make a successful bid for the White House.

Two New Hampshire opinion polls, published before Mr Pratt's leave of absence was announced, showed Mr Dole in a statistical dead heat with Mr Buchanan ahead of the Tuesday primary.

The polls showed that the result of Monday's Iowa caucuses appeared to have had a big impact on voter opinion in New Hampshire. A Boston Herald poll placed the candidates in the same order as the Iowa finish: Mr Dole with 23 per cent support, down 8 percentage points since his disappointing caucus performance.

Mr Buchanan showed 22 per cent support, up 9 percentage points from his surprisingly strong second in Iowa. Mr Lamar Alexander, the former Tennessee governor who came from behind to register a convincing third in Iowa, also rose to third in New Hampshire, with 19 per cent support. Mr Steve Forbes, the multi-millionaire publisher, who stumbled seriously in Iowa, saw his support in New Hampshire plummet by 10 points to a fourth-place 13 per cent. Ahead of the midwestern state's caucuses, Mr Forbes had been ahead of Mr Dole in some New Hampshire polls.

Mr Buchanan said yesterday that his campaign co-chairman would pull out in order to rebut charges about his alleged associations. He said the charges were false, but that they could be a distraction from his campaign.

The report, by the Centre for Public Integrity, which focuses on ethics in government, said Mr Pratt, head of the Gun Owners of America, had appeared as a featured speaker at meetings organised by white supremacists.

Republican presidential candidate Pat Buchanan greets supporters in Littleton, New Hampshire. Recent polls show him level with Senator Bob Dole as the state's February 20 primary looms Reuter

Factory orders in US rebound in December

By Michael Prowse in Washington

US factory orders rebounded in December, suggesting the economy may not have been as weak as feared late last year, the Commerce Department said yesterday.

However, more recent data on labour markets indicated that the economy remained sluggish early this month.

Factory orders rose 1.3 per cent in December, more than twice the gain expected on Wall Street. However, this followed declines of 0.1 per cent in November and 0.6 per cent in October. Orders for 1995 as a whole were up 6.7 per cent from 1994.

The data suggest that "capital goods spending in the fourth quarter was stronger than most analysts had anticipated", said economists at Merrill Lynch in New York. However, they added that the strength did not look sustainable in the early part of this year. The orders increase reflected a sharp rise in aircraft orders, which are highly volatile on a monthly basis.

Orders for industrial machinery dropped 2.2 per cent in December, following a 2 per cent increase in November. Excluding aircraft, orders dropped 0.8 per cent in November and rose 0.6 per cent in December.

Separate figures yesterday showed a sharp increase in claims for state unemployment insurance in the week ending February 10. Claims rose 21,000 to 387,000 – a larger than expected increase.

The economy may not have been as weak as feared late last year

Averaged over four weeks, claims rose to 389,000, the highest in four years.

The weak data on jobless claims point to soft labour markets and sluggish growth early this year.

NEWS: WORLD TRADE

Chinese crash raises price cut doubts

By Geoffrey Crothall in Beijing

China's fledgling commercial space programme suffered its second disaster in 13 months this week when a new generation Long March 3B rocket carrying a US communications satellite exploded seconds after take-off.

The 426 tonne rocket veered sharply off course just after clearing the gantry at China's main Xichang space centre, in the southwestern province of Sichuan. It headed off at a 45 degree angle before exploding and crashing to the ground.

Officials from Great Wall Industry, which manages China's rapidly growing international satellite launch programme, yesterday declined to comment on the cause of the explosion. There were unconfirmed reports of at least 10 people being injured. Government spokesman Shen Guofang said an inquiry was under way and that the failure was unlikely to harm international space co-operation.

"It still too early to say whether it was due to technical factors or something else," Mr Shen said.

Great Wall officials have sought to place the blame for previous launch problems on the foreign payload. On this occasion foreign aerospace experts said it seemed that the rocket or its booster system was at fault. "It is difficult to tell from the brief [video] clip but it sure looks like a massive malfunction of the launch vehicle," said an aerospace specialist at a western embassy in Beijing.

The explosion followed the loss of another US-made satellite in January 1995 and the disappearance in space of an Australian telecommunications satellite in 1992.

Although China has successfully launched dozens of commercial satellites, analysts said this latest failure could raise questions about the reliability of China's cut price satellite service. Great Wall, taking advantage of cheap labour in China, undercuts its American and European rivals by about half or one third offering geostationary satellite launches for around $40m.

Another foreign launch industry expert in China said: "This is bad for them. They must be very unhappy and very anxious. But the Long March and Great Wall will survive this. Their launcher is very good."

The Long March series was powerful, low in vibrations and highly sophisticated and was capable of sending an orbiter very close to its rotation position, said the expert.

Great Wall said that as it was the first use of a new rocket, the accident could not be considered unusual. It had no doubts about the quality of its Long March design.

Insurers profits fall to earth

By Ralph Atkins, Insurance Correspondent

The Long March crash provided an unwelcome loss early in the year for satellite insurers hoping to repeat the healthy profits earned in 1995.

The loss – probably more than $200m – is expected to be covered by an insurance deal stuck last year by Intelsat, the commercial satellite system. At that time, Intelsat agreed to pay $185m to cover 10 launches over three years. About a quarter of the risk was borne by Lloyd's of London.

The latest launch was only the second covered by Intelsat's programme, and the deal is now likely to break even or result in losses for the underwriters.

However satellite insurance is an exceptionally volatile industry and underwriters have been buoyed by last year's good record for satellite launches. Then, $850m in premium income was collected worldwide and only $240m paid in claims.

Mr Simon Clapham, underwriter at Marham Space Consortium at Lloyd's, said the latest setback was unlikely to have a general impact on satellite insurance costs. But rates for Long March launches might rise. "It will be – and has been – more expensive to insure on the Long March. Some of the insurance market may not want to offer insurance on the Long March in the future," he said.

Media groups have 'other options' ☐ Satellite technology offers new savings

Rocket explosion puts back Latin America TV plans

By Alan Cane

Broadcasters who had hoped to transmit television services to Latin America and the Caribbean from an Intelsat satellite carried on the ill-fated Chinese rocket were this week playing down the implications of the disaster.

The Intelsat 708 satellite destroyed in the explosion was due to be used by Mr Rupert Murdoch's News Corporation and Tele-Communication (TCI), the largest cable operator in the US, to beam television programmes direct to Latin America. Mr Howard Rubenstein, a spokesman for News Corporation, said the company's plans would not be put back by the explosion.

"This failure will not affect News Corporation's launch plan's for the direct–to–home satellite service. News Corporation has a number of other options and will disclose them shortly," he said.

News Corporation has been collaborating with TV Globo, Brazil's largest broadcaster, to form Netsat which aims provide digital television services using Ku-band transponders, the electronic devices responsible for receiving and retransmitting television signals. Ku-band transponders are more powerful than the C-band transponders now responsible for satellite television in Latin America.

Broadcasters using the more powerful transponders plan significantly more channels and better picture quality for services aimed at less densely populated regions. These "direct–to–home" services will be cheaper to provide than cable because there will not be the same need for investment in infrastructure.

Competition, however, is likely to be fierce with at least three other groups planning satellite services. Mr Roberto Irineu Marinho, vice–president of TV Globo, said last year that programming and service quality would be more important than rapid launches.

The News Corporation–Globo consortium secured transponders on the Intelsat 708 satellite only in September last year.

A spokeswoman for TCI, the largest US cable operator, which had also planned to use the Intelsat satellite, said the company was disappointed but said there was a back–up plan. "We still look forward to launching direct –to–home television services in Latin America later this year," she said.

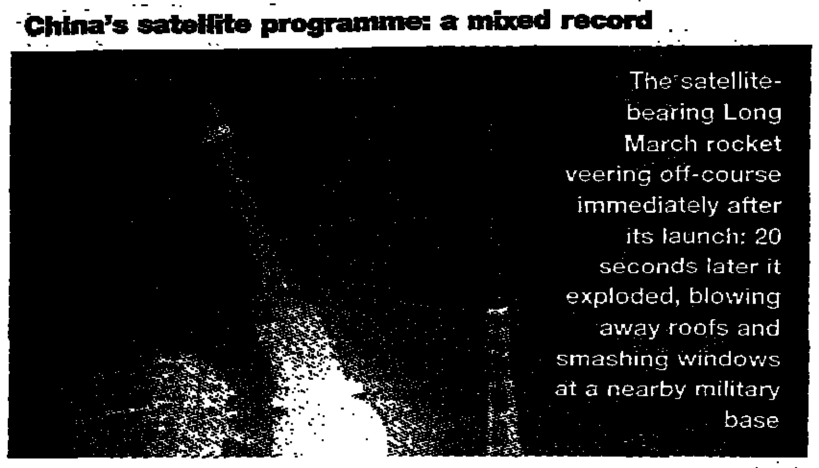
Industry observers said yesterday that companies looking for launchers for their satellites were unlikely to turn away from China. Failures were common in such a high risk business, especially when new rockets such as the Long March 3B were used.

Launches from China Aerospace cost about half that of western rivals, and the group has contracts to launch nearly 30 satellites for foreign and domestic customers by early 1998. The next planned launch is the Apstar 1A for APT Satellite of Hong Kong in March.

● Space experts in Japan played down the failure of China's latest satellite launcher and said rockets around the world were facing similar problems because of cost-cutting, Reuter reports from Tokyo. Japan is China's main rival in the Asian satellite launch industry but is unlikely to benefit from a series of Chinese rocket failures, they said.

"The problem does not belong to China alone," said Professor Nobuki Kawashima of the government's Institute for Space and Astronautical Science.

China's satellite programme: a mixed record


The satellite-bearing Long March rocket veering off-course immediately after its launch: 20 seconds later it exploded, blowing away roofs and smashing windows at a nearby military base

Launch date	Satellite type	Result
Apr 1990	AsiaSat telecommunications	Successful
Mar 1992	Australia's Optus B telecommunications	Failed on launch pad at first attempt but later launched successfully
Dec 1992	Optus B	Lost in space after explosion in launch vehicle
Apr 1994	Weather	Explosion on launch pad, destroying satellite and orbiter
Jul-Aug 1994	Optus B3 Apstar-1	Successful
Nov 1994	Dongfanghong	Lost in space
Jan 1995	Apstar-2	Destroyed in launch vehicle explosion 45 seconds after lift-off
Nov 1995	AsiaSat-2 communications	Successful
Feb 1996	Intelsat TV, data video	Rocket exploded 20 seconds after launch

China has launched successfully more than 50 satellites since the programme began in the 1970s
Source: FT

EU under fire for trade pact proliferation

Caroline Southey on the critics both inside and outside the union

While some EU officials were quick last week to engage in a war of words with the outgoing US ambassador in Brussels for attacking the union's passion for preferential trade agreements, there were many Europeans secretly applauding his comments.

Mr Stuart Eizenstat bluntly advised the EU to refrain from signing any more free trade area (FTA) pacts, warning that a proliferation of these accords could corrode the multilateral trading system.

His comments struck a chord, albeit for very different reasons, with some EU politicians, particularly those from countries with strong farm lobbies, such as France.

Opposition to the pacts surfaced recently when a group of EU countries, led by France, stalled progress on a proposed co-operation agreement with South Africa, which included the eventual creation of an FTA. Yesterday the agriculture lobby took its campaign to the European parliament when MEPs sought reassurances from Mr Franz Fischler, the EU commissioner for agriculture, that FTAs would not be allowed to damage the EU's agricultural markets.

"Some countries feel they made quite enough commitments to freer trade under the last Gatt [General Agreement on Tariffs and Trade] round. Every time an FTA is negotiated they find they have to give more ground," says a Brussels-based trade official.

A turning point in the debate on FTAs came last year after the Commission proposed negotiating preferential trade pacts with Mexico and Mercosur, the customs union grouping Brazil, Argentina, Paraguay and Uruguay. "For some these ideas seemed the thin edge of the wedge. For the protectionists in particular it looked as though the EU would consider an FTA with anybody you care to name," said the trade official.

For all this opposition, there are those in the Commission who champion the cause of FTAs, such as Sir Leon Brittan, the Commission's chief trade negotiator, as well as commissioners who have used them as a means of cementing relations with countries in their areas of responsibility.

There has been a staggering rise in the number of FTAs signed worldwide – 26 have agreed in the last 20 months, half the total agreed since the first multilateral trade round was completed 47 years ago. The EU alone has signed 26, many in the last five years.

Experts have long been divided over whether FTAs – bilateral pacts aimed at eliminating duties and other restrictions on all trade fronts, ostensibly without raising the level of trade barriers to non-parties – promote or inhibit freer global trade. The World Trade Organisation is equivocal on the issue. Only one of the more than 80 arrangements vetted by the WTO and the Gatt, its predecessor, has been found to conform to multilateral rules – and none to violate them.

This indecisiveness is due partly to differences over how to interpret the rather vague Gatt/WTO provisions in this area and because decisions require a consensus which has seldom been forthcoming. However, the WTO recently took a first step towards reforming its procedures by agreeing to set up a single committee to examine new FTAs and regularly to review existing ones.

The EU's council of ministers has agreed its own guidelines under which the EU Commission is obliged to assess the compatability of any planned deal with WTO rules as well as the implications a deal might have for EU common policies, such as the Common Agriculture Policy, and relations with its main trading partners.

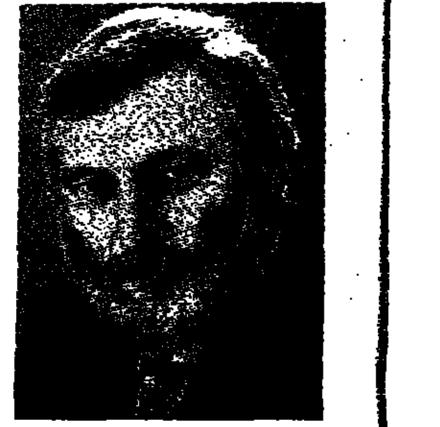
It was on such assessments that France based its resistance to giving the Commission the go-ahead for negotiations with South Africa. Mr Hervé de Charette, the French foreign minister, expressed outrage that the Commission, while demanding a green light on a negotiating mandate, had not produced studies on the likely impact of the deal.

"France had every right to demand the studies. By doing so it has secured a precedent for future negotiations," the trade official said.

The dispute exposed a glaring omission in Brussels – the absence of an overall strategy on FTAs. "The difficulty is that the EU has no policy on FTAs. It is all done on a country-by-country, case-by-case basis," said the trade official.

The vast majority of the EU's FTA accords have been initiated by individual commissioners. "Every time a commissioner visits a country he or she likes to be able to offer something. FTAs have become symbols of meaningful relationships," an EU official said, adding that for the most part they involved "commissioners leading with their chins".

For its part the Commission believes that FTAs are "economically beneficial, bolstering


Fischler: asked for reassurances

the EU's presence in dynamic economies and contributing to the overall process of liberalisation worldwide".

EU officials in favour of FTAs argue they can contribute to the faster removal of trade barriers and could set precedents for multilateral deals. "In an ideal world we would do everything promptly at multilateral level. But multilateral deals take time," an EU official said. "In the meantime bilateral, or regional deals, can be flagbearers."

He added that it was "wholly legitimate" for the EU to use trade pacts as an instrument of foreign policy "as long as they are not working against the interests of the multilateral system".

However, many trade economists argue that FTAs are unequal marriages, which enable economically powerful partners to take advantage of weak ones and to limit the scope of liberalisation by excluding sensitive sectors such as agriculture.

Few, if any of the countries with which the EU has concluded FTAs can match its economic clout. They include Poland, Hungary, the Czech Republic, Slovakia, Romania, Bulgaria, the Baltic countries, Slovenia, Israel, Switzerland and Norway.

Significantly, calls last year for an FTA between the US and EU were swiftly shelved as impracticable. "If the EU tried to enter into negotiations with a big player it might find itself making concessions it didn't like. Smaller countries tend to take what they are given," said the trade expert.

Apec challenges EU on tariff cuts

By Ted Bardacke in Chiang Rai, Thailand

Asian leaders will challenge the European Union to match Apec's tariff reduction timetable for non-member countries.

The proposal will be put to an EU delegation attending next month's Asia-EU summit and was agreed yesterday by 10 Asian trade ministers preparing for the meeting. The Asian ministers also decided on a common Asian offensive to increase their access to the EU market and to push Europe to adopt an approach of "open regionalism" to trade issues.

Members of the Asia-Pacific Economic Co-operation forum, which groups Asian and American countries, have made non-binding commitments to eliminate tariffs by 2010 for developed countries and by 2020 for developing countries. Apec operates on a Most Favoured Nation basis and extends benefits to non-members. Asia now wants Europe to follow suit.

"Apec operates on a non-discriminating principle. We would like to see Europe promote its economic regionalism in the same manner," said Thailand's deputy prime minister Amnuay Viravan, who chaired the meeting. But a Thai proposal to press for a European commitment to lower trade barriers by this time or risk losing the benefits afforded to them under Apec was dismissed.

"Open regionalism is one of the basic principles of Apec. Excluding anyone is not an option at this time," said Mr Hisashi Hosokawa, Director General for International Trade Policy at Japan's Ministry of International Trade and Industry.

"We believe Europe will lower trade barriers to the rest of the world because they will see that our approach is the best and do it on their own."

Ms Rafidah Aziz, Malaysian Minister of International Trade and Industry expressed concern that a commitment to target dates would lead to the premature institutionalisation of the Asia-EU gathering, which Asian countries agreed they wanted to keep as a "forum".

Instead of creating "yet another multilateral trade institution" in the words of one senior Thai official, Asian leaders will propose that follow-up to the summit be co-ordinated by an annual meeting of Asian and European economic ministers.

A key item to be discussed will be the creation of an Asia-Europe private sector investment facilitation group.

Other economic issues likely to be raised by the Asian side include how to increase investment in Central Europe – where the South Koreans have taken a high profile – and the Mekong River Delta, where Asia has grand development schemes but is lacking in technology and investment capital.

Singapore penalises five foreign companies caught up in bribes scandal

BICC appeals over contracts ban

By Tim Burt in London and Wolfgang Munchau in Frankfurt

BICC, the world's second largest cable manufacturer, has lodged an appeal with the Singapore finance ministry over a five-year ban on tendering for government power contracts. The ban was imposed this week after five international manufacturing and contracting companies were implicated in a bribery scandal.

Singapore's finance ministry said yesterday that appeals in cases involving corruption were "normally not allowed." The ban on the companies – Marubeni and Tomen, both of Japan, BICC Cables and Pirelli of Italy and Siemens of Germany – will run until January 26, 2001. In spite of the ban, BICC said it would complete an existing £36m contract with the Singapore Public Utilities Board. The board has ordered cables worth about £300m from BICC in the past 10 years.

"We have not been accused of any wrong-doing," BICC said yesterday. "We can only assume that the debarment arises because the case involved someone with whom we did business."

Siemens in Munich said yesterday the company had begun talks with the Singapore government to "see what we can save from the situation". It denied suggestions that Siemens had threatened to leave Singapore unless the government withdrew its ban, adding that Siemens was seeking a negotiated solution.

The German electronics group does about DM500m (£220.20m) of business a year in Singapore, of which up to 80 per cent is with the government.

Singapore Power yesterday said it would keep its existing contracts with major European and Japanese companies affected by the ban, but it was not expected to put out major tenders soon. An official at Singapore Power said Siemens had about S$400m (£186m) in contracts.

This included S$200m for a power plant equipment and maintenance deal. Marubeni had S$300m worth of contracts, Tomen S$100m and the four Pirelli associates S$80m. The last of the existing contracts expires in November 1997.

Singapore Telecom, a former state-run monopoly, said it was unlikely to be affected by the ban on the five foreign companies as it had its own procurement policies.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday February 16 1996

IN BRIEF

Dresdner Bank advances 20%

Dresdner Bank reported a 20 per cent increase in group operating profits, to about DM2bn ($1.35bn) for 1995. The rise signals a rebound from a difficult year before, which was marked by heavy losses in own-account trading. Page 14

Béghin-Say improves to FFr1.2bn
Eridania Béghin-Say, the French-quoted foodstuffs subsidiary of Montedison of Italy, said it had recorded "a healthy improvement" in net profits last year due to "a better spread" of taxation within group companies and lower net financial charges. In 1994 the group made profits of FFr1.2bn ($237m). Page 14

Cap Gemini Sogetti rebounds to FFr52m
Cap Gemini Sogetti, the French leader in information technology services, returned to the black last year with a net group profit of FFr52m ($10.3m), following a FFr94m deficit in 1994 and losses in the two previous years. Page 15

Sell-off marks lift-off for Brazilian steel
Less than three years after Brazil's six big steel companies became the vanguard of the country's privatisation programme, the industry has been transformed. Page 15

Moore may return to Wallace trail
Moore, the Canadian information handling group, may renew its seven-month pursuit of Chicago-based Wallace Computer Services later this year, but in the meantime is seeking other acquisitions and alliances, according to Mr Reto Braun, Moore's chief executive. Page 16

Barclays chief urges Japanese loan rethink
Mr Martin Taylor, chief executive of the UK's Barclays Bank, warned Japanese competitors that their credibility would suffer unless they write down suspect loans in one hit, rather than over years. "The international banking sector is expecting it and will be disappointed if it is not done," he said on a visit to Barclays' Tokyo office. Page 18

Shell willing to talk on British Gas dispute
Mr John Jennings, chairman of Shell Transport and Trading, the London-based arm of the Anglo-Dutch oil group, told journalists yesterday that the company was prepared to negotiate with British Gas over £40bn of disputed "take-or-pay" North Sea gas contracts. Page 20

Babcock to recruit as orders increase
Babcock International, the UK engineering, materials handling and facilities management group, said it was creating up to 350 jobs in its process engineering division after winning a series of new orders. The recruitment drive will increase the division's workforce by almost 30 per cent to more than 1,600. Page 20

US farm bill 'will force further CAP reform'
The US farm bill will force the European Union to initiate further reforms of the Common Agricultural Policy or risk seeing its share of world export markets decline, according to a report by the Produce Studies consulting group which is due to be launched on Monday. Page 21

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Allianz	2885	+	16.9
Porsche	905	+	15
Veg AG	526	+	4.9
Falls			
Asko	765	-	10
Volkswagen	568	-	22
Dunkers	828.3	-	8.4
NEW YORK ($)			
Rises			
IBM Corp	32¾	+	3¾
Bell Pk	11⅛	+	2
Dole	35⅞	+	2¼
Falls			
Estée Inc	35⅛	-	1¼
Humana	26	-	1⅝
Jeff Smurfit	24	-	1½
LONDON (Pence)			
Rises			
Abbey Natl	613	+	22
Gest Grp	225	+	14
Inny	446	+	24
Pearson	706	+	27
Scottish TV	895	+	57
Falls			
Pesedid	336½	-	26
TORONTO (C$)			
Rises			
Ballard Pwr	21¼	+	1¾
Blue Range	13¾	+	1¼
Cdl Nat Eng	14⅞	+	1¼
Falls			
ATS Autom	25	-	1½
SMC Res	15¾	-	⅜
Softquad Intl	11⅜	-	¾

PARIS (FFr)			
Rises			
Docent	3980	+	140
Pechel GA	1090	+	61
Sagem	3150	+	70
Falls			
Arnold	1157	-	43
Fonc Lyon	407.1	-	22.9
Solvay SA	2800	-	122
TOKYO (Yen)			
Rises			
Hino Motors	955	+	22
Ihara Chem	821	+	27
Falls			
Central Glass	432	-	22
Fujisawa Pharm	966	-	34
Mitsumi Elec	2180	-	80
Tokyo Car	744	-	36
HONG KONG (HK$)			
Rises			
Assoc Int Htl	5.5	+	0.45
Lucky Man Pp	5.85	+	0.45
New World Indus	16.25	+	1.0
Falls			
Pioneer Inds	6.3	-	0.25
Varitronix	14.45	-	0.80
Yangtzekiang	1.5	-	0.10
BANGKOK (Baht)			
Rises			
Metchon	156.0	+	14.0
Thai OPP	45.5	+	4.5
Wik & Hong	50.0	+	5.0
Falls			
Siam Cash Life	31.5	-	3.5
Thai Plas	74.5	-	5.5
The Manager	97.5	-	5.5

New York and Toronto prices at 12.30pm.

Dasa expects losses to deepen for 1995

By Michael Skapinker in Munich

Daimler-Benz Aerospace (Dasa) said yesterday that it expected to declare a loss for 1995 of DM4.3bn ($2.9bn) and revealed that negotiations to merge its MTU engine-making subsidiary with the BMW/Rolls-Royce joint venture had collapsed.

Mr Manfred Bischoff, Dasa's president, said last year's loss included a DM2.3bn provision against the possibility of Fokker, the Dutch aircraft manufacturer, going bankrupt. Daimler-Benz, Dasa's parent, announced last month that it would provide no further financial support for Fokker, in which it has a controlling stake.

Fokker is negotiating with several aerospace companies to sell all, or part of, the business. Dasa's 1995 loss compares with a 1994 deficit of DM438m.

Mr Bischoff said negotiations with BMW/Rolls-Royce had foundered because of MTU's ties with Pratt & Whitney, of the US. MTU is involved in the manufacture of Pratt & Whitney's PW4084 engine, which is used on the Boeing 777. The PW4084 competes directly with Rolls-Royce's Trent 800.

Mr Bischoff said that the clash of interests

meant the chances that merger negotiations could reach a successful conclusion in future were "fairly small".

Mr Bischoff said the programme of cost-cutting at Dasa would make the company profitable by 1998. Dasa expects to have a workforce of 38,000 by that date, compared with 56,000 at the end of last year. Last year's turnover was DM15bn, compared with DM17.4bn in 1994.

Mr Bischoff said there was no question of Daimler-Benz withdrawing from the aircraft business. He said: "Daimler-Benz did not spend a lot of money to adjust the German aerospace industry to the needs of the next decade only to withdraw from this sector now that the first successes are becoming apparent."

He said that although Dasa was looking for a partner to take a majority stake in its Dornier small aircraft business, it had no intention of withdrawing completely.

Mr Bischoff said it was inevitable that the partner companies which owned the Airbus Industrie manufacturing consortium would have to contribute to the cost of developing the A3XX large passenger aircraft. Mr Bischoff put the development cost of the A3XX at $8bn-$12bn.

He said: "Of course, each partner has to finance his share. But we have to see if further partners can be involved so that the cost to each Airbus partner can be reduced a little bit." Airbus – which is owned by Dasa, Aerospatiale of France, British Aerospace and Casa of Spain – was looking at Asian and even Russian partners for the A3XX project.

Dasa said the Airbus partners had yet to decide whether the A3XX should have 400-550 seats or between 550 and 700 seats. Airbus believes the A3XX, which it hopes to have in commercial service by 2003, is necessary to combat the dominance which Boeing of the US has established in the large aircraft sector.

Farnell wins vote on Premier takeover

By Christopher Price, Chris Tighe, William Lewis and Norma Cohen in London

Farnell Electronics yesterday survived a shareholder revolt against its £1.85bn ($2.8bn) takeover of Premier Industrial Corporation of the US, after Prudential Corporation switched its votes in support of the deal at the extraordinary general meeting.

In one of the largest ever turnouts for a company meeting, more than three quarters of shareholders voted, with 84 per cent of those in favour of the merger. Farnell needed the backing of at least 75 per cent of votes cast.

However, the vote would have been extremely close had Prudential Corporation, which holds a near 6 per cent stake in the electronic component distributor, not changed its mind and supported the deal.

Farnell, the second largest catalogue components distributor in Europe, launched its bid for Premier, a company one and a half times its size by market capitalisation, three weeks ago. The move will create the third biggest electronics components distributor in the world.

The deal raised concerns among some shareholders, including the amount of debt the company was taking on, the near 40 per cent premium being paid to Premier's shareholders and the dilution to shareholders' earnings. There was a vociferous and public campaign from normally reticent institutions against the deal.

Mr David Manning, head of UK equities, at ESN, one of the rebel institutions, said: "We have sold our shares. One is obliged to do so. We bought our shares on the basis of what Farnell used to be and it is no more."

However, Prudential said it had changed from opposing the deal after meetings with the Farnell management, which had lobbied hard to calm concerned fund managers. The institution said it had been reassured by promises of fresh appointments to strengthen the board.

Farnell and its advisers had attended over 60 meetings with institutions in order to underline their belief that the deal was a good one for shareholders. Mr Howard Poulson, Farnell's chief executive, in particular was adamant that the purchase represented a unique chance for Farnell to become a global force in its sector.

Lex, Page 12; Details, Page 20

Rentokil proposes recommended offer for BET

By Geoff Dyer in London

BET, one of the most acquisitive companies of the 1980s, could become the subject of a takeover, after Rentokil, the environmental and property services group, said yesterday it wanted to discuss a recommended offer for the group.

City analysts estimated that a successful deal, which would nearly treble Rentokil's turnover, would value BET, the business services group, at about £1.9bn ($2.9bn). Mr Clive Thompson, Rentokil's chief executive, said BET provided "an ideal opportunity to impose our style and culture and our higher quality sales and marketing".

Rentokil's proposal highlights the differing fates of the two services companies over the last decade. At the beginning of 1984, BET had a market value of £550m and Rentokil £220m, but yesterday BET was valued at £1.7bn and Rentokil £3.3bn.

The size of the proposed deal represents a departure for Rentokil, which has won a glittering City reputation after increasing profits and earnings by more than 20 per cent in each of the last 12 years.

Although it has bought many companies, these have mostly been small, bolt-on acquisitions. Its largest previous acquisition was the £75.7m purchase of Securiguard, the security and cleaning business, in 1993.

Mr Thompson has been highly critical of BET. Last year he said Rentokil's strategy was much more focused that BET, which had "bought a lot of companies in the 1980s without thinking how it could add value".

Yesterday, Mr Thompson said Rentokil had bid for many of the same companies BET acquired in the 1960s. "But they failed to integrate them and manage them in the right way," he added.

BET responded that all of its businesses had been integrated into the group and it had excellent financial controls.

Shares in BET, which rose 10½p on speculation of a Rentokil bid on Wednesday, jumped a further 34½p to 184½p yesterday.

A new management team, including the US-born Mr John Clark, chief executive, was appointed at BET in 1991 after its string of acquisitions had left it with heavy debts. Since then, the group has reduced its operating companies from 160 to 60 and profits have recovered, rising 33 per cent to £122m in the year to April 1.

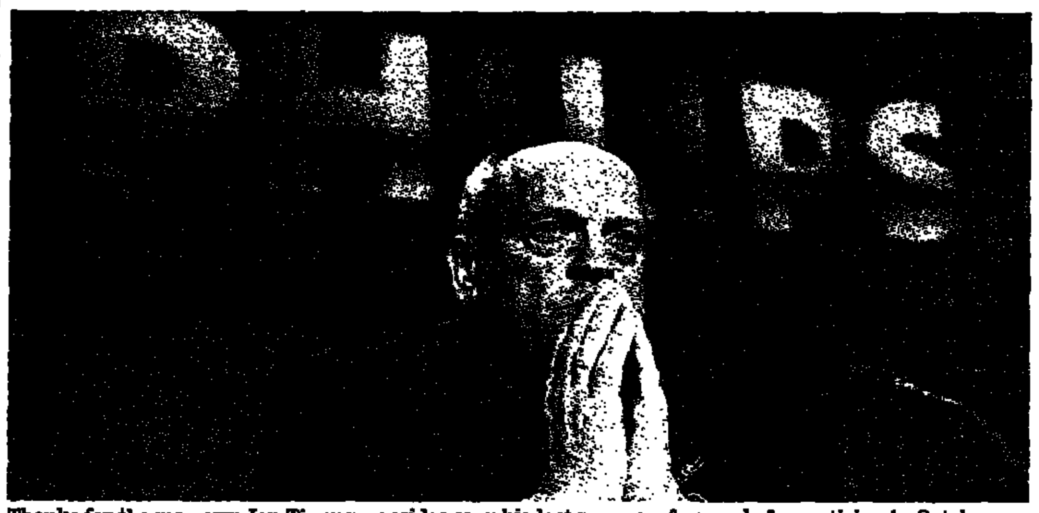
However, the shares have not responded, underperforming the market by 41 per cent since the end of 1991, due to worries about the group's ability to improve revenues and the quality of its earnings.

Rentokil's shares fell 26p to 336½p yesterday, after analysts expressed doubts about the benefits of a takeover. Mr David Allchurch, analyst at NatWest Markets, said: "This would be a quantum leap for them which raises questions about the management's capabilities."

Some were concerned a takeover would lead Rentokil into several businesses, such as plant hire and distribution, in which it had no experience. Mr Thompson claimed the group was familiar with 80 per cent of BET's businesses. It was too early to discuss possible disposals, he added.

Lex, Page 12

Buoyant chip sales help Dutch group post 19% rise



Thanks for the memory: Jan Timmer presides over his last press conference before retiring in October

Philips beats expectations

By Ronald van de Krol in Eindhoven

Rising demand for semiconductors enabled Philips, the Dutch electronics group, to counter the malaise in consumer electronics and produce a better rise than expected in 1995 profits.

Net profits rose 18.9 per cent to Fl 2.52bn ($1.53bn), on sales up 6 per cent at Fl 64.5bn. Excluding extraordinary items, such as the provisions needed to cover restructuring at Grundig, Philips' German consumer electronics arm, net profits showed even faster growth, increasing 31 per cent to a record Fl 2.68bn. Analysts had expected this figure to be about Fl 2.5bn.

Mr Jan Timmer, group president, who yesterday presented his last press conference before his retirement in October, described the figures as a "nice going-away present".

Philips raised its annual dividend from Fl 1.25 to Fl 1.60. This brings it closer to the Fl 2.00 level which prevailed in the late 1980s before Philips fell into losses, prompting Mr Timmer's appointment and his restructuring of the group.

However, Mr Timmer conceded he was disappointed with fourth-quarter net profits which, before extraordinary items, rose 9 per cent over the 1994 quarter. This was below the company's own, unspecified target.

He blamed the quarterly result on Grundig and on consumer electronics generally, and also on slower rates of growth posted by PolyGram, the group's 75 per cent-owned, London-based music and film company.

Operating profit in 1995 rose nearly 8 per cent from Fl 3.76bn to Fl 4.04bn.

The turnover figure was held back by the guilder's rise and by divestments. If these are disregarded, sales would have risen 11 per cent.

"Sales growth in 1996 will continue, but not as strong as in 1995," Philips said. The semi-conductor and components division, representing just 16.6 per cent of group sales, provided 55 per cent of operating profit in 1995. Consumer electronics – Philips' single biggest business with a 33.9 per cent share of sales – contributed only 2.9 per cent of the operating result. Its operating results fell from Fl 449m a year earlier to Fl 118m, with half of the decline due to Grundig.

The consumer electronics market was particularly weak in Europe, Philips' biggest market. The decline of shop prices was most pronounced for video cassette recorders, with prices down 12 per cent in western Europe. Televisions were 5 per cent cheaper, on average.

Mr Timmer said he could see no sign of an immediate improvement but said a slight recovery was possible in sales of televisions, and possibly video recorders, because of this year's European soccer championships and the Olympics.

Elsewhere, Philips' lighting business lifted operating profits from Fl 938m to Fl 983m. The professional products sector was the only loss-making product group, though its deficit narrowed from Fl 100m to Fl 24m in 1995.

Surge in UK media stocks

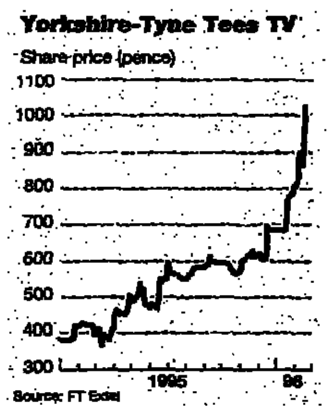
By Raymond Snoddy in London

Granada, the UK leisure, hotel and television group, yesterday put down a firm marker of its interest in Yorkshire-Tyne Tees Television when it spent more than £50m ($75m) to take its stake in the company up to just under 25 per cent.

Granada's "dawn raid" on Yorkshire-Tyne Tees is the latest example of the hurried manoeuvrings in the UK media sector as a deregulatory broadcasting bill makes its way through Parliament. The bill will allow a further consolidation within the independent television sector and enable newspapers to own television stations for the first time.

The move heightened activity in other media groups, and the shares of potential takeover targets rose sharply.

Granada said yesterday it had "no present intention of making an offer" for Yorkshire, but might change its mind if anyone else made an offer or built a stake of 20 per cent or more.



Some observers yesterday saw the move as a warning to Lord Hollick, managing director of MAI, which holds a 14 per cent stake in the Leeds-based television company.

MAI bought the stake from Pearson, owner of the Financial Times, at 500p a share in May.

It is more likely that the deal is an indication of Granada's longer-term intention to take over Yorkshire when legislation allows. In June 1993, Granada bought 15 per cent in London Weekend Television group, increased the stake to 20 per cent a month later, and in December launched a successful hostile takeover. Even at the peak of the recent battle for Forte, the hotels and catering group, Mr Gerry Robinson, Granada chief executive, made clear he was determined to expand in television.

The two television groups have strong links. Granada sells advertising for Yorkshire-Tyne Tees and the two have a joint venture to sell their programmes internationally. Mr Ward Thomas, Yorkshire chairman said yesterday: "So far as I am concerned, Yorkshire will get more valuable with every month that passes."

Lex, Page 20; London stocks, Page 28

GPA nears refinancing deal

By Norma Cohen in London and John Murray Brown in Dublin

GPA, the Ireland-based aircraft leasing company, is close to a last-minute deal with one of its creditors which will salvage a $2.7bn refinancing, heading off a forced liquidation.

Advisers to GPA had told the company that if a deal could not be reached with the Pennsylvania Public School Employees Retirement System by today, it would have to withdraw the refinancing.

The company, which almost collapsed following a failed share flotation in 1993, had planned to raise up to $4bn through the sale of asset-backed bonds and use the proceeds to repay up to $2.7bn of bank debt.

Yesterday, GPA's unsecured bonds rose to $98 from $95 on market rumours that a deal was imminent.

As part of the deal, PSERS is understood to have secured an un disclosed fee from GPA in respect of its $41m of secured notes.

In turn, PSERS has agreed with a third party to sell its $100m of secondary preference shares, whose market value is now estimated at $20m to $25m.

The shares are subordinate not only to those of other preference shareholders but also to unsecured creditors, and neither the preference shares nor the unsecured creditors are directly covered by the refinancing.

PSERS is understood to have refused to approve the deal unless it receives some consideration for its secured notes. After the refinancing, PSERS will no longer have any exposure to GPA.

Last night, a GPA official said that any deal with the fund would not leave the company liable to action from other creditors which rank higher in the order of repayment. "GPA is happy that it is ring-fenced from any litigation."

The refinancing is intended to repay GPAs 100 or so secured bank creditors in full. In addition, GPA's improved cash position would indirectly help unsecured creditors, owed about $1.2bn and enable the company to meet repayments on a $500m Yankee bond due in 1998.

As a result of the deal GPA is expected to have completed the refinancing by the end of March.

EUROPEAN NEWS DIGEST

SAS offers to buy Estonian Air stake

Scandinavian Airlines System yesterday offered to buy up to 66 per cent of Estonian Air – the country's main airline – continuing the rapid expansion of its links with the Baltic states. It said its proposal, made with Estonian and Scandinavian financial institutions, would involve a new share issue by the Estonian airline, but it declined to detail terms. The sale is being handled by the Estonian Privatisation Agency.

SAS said it wanted a long-term strategic partnership with the Estonian airline and would help it build up an effective international traffic system. Co-operation would extend to sales and marketing, and development of joint products. SAS said part of its stake would be acquired by Estonian private parties to ensure the majority of the company stayed in Estonian hands. The Estonian state would retain 34 per cent.

SAS began direct flights to Tallinn, the Estonian capital, in 1989, two years before Estonia gained independence. It says the Baltics are its fastest growing business area. SAS also holds 18 per cent in Baltic Air, one of Latvia's two airlines, and has management control for five years.

Christopher Brown-Humes, Stockholm

Securitas steps up dividend

Securitas, Europe's leading security group, raised pre-tax profits by 20 per cent to SKr472m ($67.8m) last year, and said it expected further growth in 1996 following a series of acquisitions. The improvement, after a 7 per cent rise in sales to SKr7.3bn, prompted the group to propose a SKr1 increase in its dividend, to SKr6 per share.

Securitas saw higher sales in all its markets, except Spain and Portugal, last year. This year, conditions were better and "the entire European security market is currently developing favourably and showing some growth in volume", it stated. It added that recent acquisitions in Germany, France and Portugal would offset the impact of the stronger krona in 1996, enabling it to maintain earnings momentum.

Christopher Brown-Humes

Sharp fall at Dyno Industrier

Dyno Industrier, the Norwegian chemicals group, saw pre-tax profits fall to NKr527m ($82m) for 1995, a 24 per cent drop from NKr693m a year earlier. The result reflected lower operating profits at its three biggest divisions: explosives, chemicals and plastics. Explosives saw profits more than halve from NKr217m to NKr102m after restructuring and other one-off costs hit its European and North American businesses.

Chemicals was hit by lower methanol prices, cutting profits from NKr580m to NKr489m. The plastics division suffered from fluctuating raw materials prices and weak trends in its industrial packaging unit, and profits fell from NKr83m to NKr73m. Better results are expected from explosives and plastics in 1996. The dividend is held at NKr4.

Christopher Brown-Humes

Roussel Uclaf earnings slip

Roussel Uclaf, the French pharmaceuticals group in which Hoechst of Germany owns a majority stake, said 1995 net profit fell to FFr1.02bn ($201m) from FFr1.8bn a year earlier on sales up 1.2 per cent to FFr16.4bn. Net profit after exceptional items, including an extraordinary contribution to the social security system, rose from FFr1.2bn to FFr1.4bn. Sales adjusted for exchange rate fluctuations were up 3.5 per cent. Roussel Uclaf said the figures included FFr446m provisions for restructuring its Hoechst Marion Roussel unit.

AFX News, Paris

Dresdner bounces back with 20% rise

By Wolfgang Münchau in Frankfurt

Dresdner Bank, Germany's second largest bank, yesterday reported a 20 per cent increase in group operating profits, to about DM2bn ($1.35bn) for 1995. The rise signals a rebound from a difficult 1994, which was marked by heavy losses in own-account trading.

The recovery in the operating results at Dresdner, as well as at other German banks, was largely a result of better trading conditions in 1995; own-account business suffered in 1994 because of weak bond markets.

Dresdner released its 1995 headline results after a board meeting in an "ad-hoc disclosure", a practice required under German law for disclosures that are potentially market-sensitive.

For the first time, the bank disclosed its reserves in order to bring its accounting practices closer to those of its international competitors. Taxed reserves were put at about DM600m, while untaxed reserves, reflecting unrealised profits on the bank's holdings of listed securities and equity investments, were DM9bn.

Dresdner Bank said "the decision to disclose DM600m of previously undisclosed taxed reserves represented greater transparency, as part of the move towards International Accounting Standards".

Net income in 1995 rose 17 per cent to about DM1.2bn. The transfers to retained earnings reserves amounted to DM560m. The bank also said its Tier 1 capital had risen DM1.2bn.

Dresdner, however, did not disclose a break-down of its results; nor did it give an indication of the impact of the acquisition of Kleinwort Benson, the UK merchant bank.

The pattern of the quarterly figures, however, suggests that business last year started off sluggishly, accelerated in the third quarter, and then kept improving during the fourth quarter.

The core credit business, however, is believed to have had a difficult year.

Scania expected to keep up momentum

Impressive margins and a strong identity should make the float successful, writes **Hugh Carnegy**

The new truck, with its eye-catching Italian styling, is rolling off the production line and has won the accolade of international truck of the year.

Profits are flowing in – to the tune of SKr4.8bn ($690m) in 1995 compared with SKr3.7bn in 1994. It was against this background that Scania, the Swedish heavy truck manufacturer, was yesterday launched towards a stock market flotation.

Arguments for delaying the float were readily available. After a boom in truck sales over the past two years, demand in important markets has sagged. Falling business confidence in Europe – Scania's main market – has cast an uncomfortable shadow over the coming year, leading to question marks over the willingness of hauliers to place orders for new trucks.

In the fourth quarter, Scania's own performance faltered slightly as the rate of sales growth cooled and profits slipped from SKr1.4bn to SKr1.3bn.

But Investor, the main investment arm of the Wallenberg industrial empire which has wholly owned Scania since 1991, does not believe a serious setback is in prospect. It is confident that the new 4-series truck range, set to drive the company for the next decade, will be a success.

Above all, the Wallenbergs are betting that the enviable reputation Scania has built up over the years will ensure a successful flotation for what will be one of the biggest non-privatisation issues yet attempted, regardless of any short-term worries about the state of the market.

Scania is the world's fifth largest truck maker – but it is top in profitability. It has made a profit every year for six decades and averaged a near 10 per cent operating margin during the recession years of 1989-1993, when rivals such as Mercedes and Volvo were struggling to top 2.5 per cent.

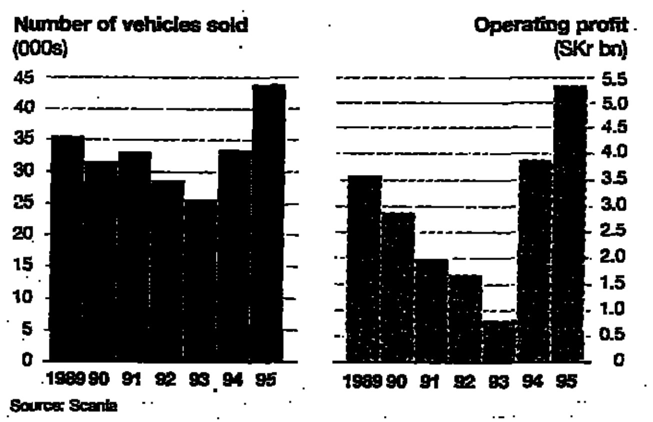
Last year, it pushed its share of the west European market to 14.3 per cent, from 12.8 per cent the year before, despite selling a truck that was about to be taken out of production.

Meanwhile, Scania's operating margin edged up to an impressive 15.4 per cent, suggesting it had not had to buy market share with through unwarranted price cutting.

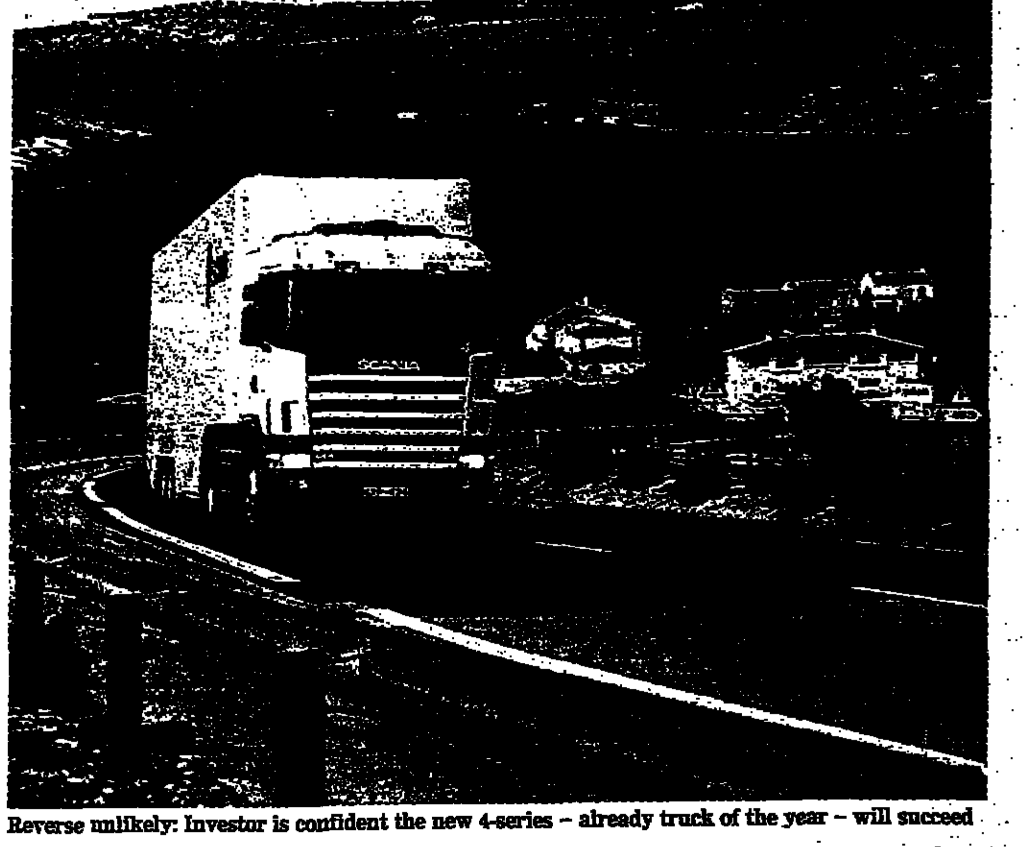
The company was singled out last year by McKinsey, the US consultancy firm, as the world's benchmark truck producer. Much of this was put down to Scania's modular production system, by which each truck is built on a building-block principle with maximisation of standard parts and components across a range of vehicle specifications.

This allows it to keep down the number of components it uses per vehicle – 20,000 according to McKinsey's count, compared with 40,000 at Mercedes – and thus its costs.

Scania: trucks and buses



Source: Scania



Reverse unlikely: Investor is confident the new 4-series – already truck of the year – will succeed

What potential investors will have to judge, however, is the extent to which Scania can keep up the high standards of success it has set for itself.

As a company, Scania has only been on a fully stand-alone basis for the past year. Before that, it was a part of Saab-Scania, bound to the loss-plagued Saab aviation and automotive operations until Investor split them a year ago.

Nevertheless, Scania's management has been stable and the company has a proud, stubborn culture with a strong sense of its own identity. Mr Leif Ostling, the current chief executive, is a burly, gruff man from the north of Sweden who likes nothing better than to climb behind the wheel of his own products. He is fond of saying that Scania has done well by sticking to its tightly-focused strategy over the years and is not about to change course now.

That strategy has been to stick to making heavy trucks – that is trucks over 16 tonnes in weight that are used in long-distance haulage and heavy duty shorter-range duties, such as distribution and in the construction sector. Scania has spurned the medium-range 5-15 tonne sector, in which most of its rivals are active.

Mr Richard Wallace, truck specialist at DRI/McGraw Hill, the UK-based motor industry analysts, says this has paid off in recent years because demand for heavy trucks has grown sharply, while the medium sector has declined as a proportion of the total truck market. The trend may stabilise, he says, but underlying demand for heavy trucks is expected to continue rising.

Scania has also differed from major European rivals, such as Volvo, Mercedes and Renault, by staying out of the North American market, where specifications differ considerably and margins tend to be lower. Many European truck executives argue that a company with global ambitions needs to be in the American market – but this year at least Scania will be shielded from a sharp drop in US truck sales.

Its relatively low volumes – it sold 44,600 trucks and buses last year, a 33 per cent increase – means Scania has little margin for inefficiency, especially given its vertically integrated structure in which it makes all its own important components.

Investors might therefore be nervous about the company's cautious attitude to new markets. But Scania has established a market-leading position in Brazil and Argentina and is now looking to Asia and eastern Europe as areas of long-term growth.

In China it has been slower than its rivals to seek out joint venture projects because of its insistence on retaining full management control over operations. But it has recently entered an agreement to start making buses there.

Scania's singular approach will come under much closer scrutiny by investors once the company is in public ownership. Mr Ostling and his team, habitually cagey about talking about future strategies and performance expectations, may find the harsh gaze of the financial markets uncomfortable after growing used to the discreet and supportive ambience of full ownership by the Wallenbergs. But its record suggests it will not easily be blown off track.

Borsodchem stake sale well received

By Virginia Marsh in Budapest

The sale of a majority stake in Borsodchem, Hungary's second largest chemical manufacturer, has raised $55m after being heavily oversubscribed. It is Hungary's first large international offering this year.

The sale, together with domestic and employee offerings later this month, will reduce the state's stake from more than 80 per cent to 19 per cent if a "greenshoe" option is exercised. The greenshoe, involving 750,000 shares, would raise a further $9m.

The placement combines the sale of shares by both the state and Borsodchem with a capital increase in which the European Bank for Reconstruction and Development is participating. However, the bank's participation has been scaled back from 2.3m to 1.5m shares – a 14.7 per cent stake – due to strong demand from other institutional investors.

The offering will raise around $35m for Borsodchem. It was priced at Ft1,800, or $12.45, per Global Depositary Receipt, representing one share, and was at the top of the price range. The issue was marketed in Europe and the US, but analysts said demand had been strongest in Europe. They said the offering, one of the few large Hungarian deals planned for the first half of this year, had benefited from increased investor confidence in Hungary following several large privatisation deals late last year, and this year's sharp upturn on the Budapest stock exchange.

The BUX index closed down 38 points yesterday at 2,155, up from 1,529 at the beginning of this year. Borsodchem has applied for a listing on the Budapest stock exchange and for inclusion on Seaq International in London.

West Merchant Bank, the investment banking arm of Germany's WestLB, and HSBC Investment Bank, part of Hongkong and Shanghai Banking Corporation, are joint global co-ordinators.

Borsodchem, which produces PVC and MDI, a polymer used in the construction company, reported unaudited net income of Ft5.27bn ($37.2m) on sales of Ft29.2bn in the first nine months of last year.

Béghin-Say improves

Eridania Béghin-Say, the French-quoted foodstuffs subsidiary of Montedison of Italy, recorded "a healthy improvement" in net profits last year due to "a better spread" of taxation within group companies and slightly lower net financial charges. In 1994 the group made profits of FFr1.2bn ($237m), writes David Buchan in Paris.

Last year's net sales of FFr50.8bn were essentially unchanged to those in 1994 because of the slide in several currencies against the French franc. Without this currency effect, sales would have risen 6.7 per cent.

Final 1995 accounts, to be released on April 3, include those of American Maize Products, acquired by EBS last November, for the last two months of the year.

EBS said operating income for 1995 would be around FFr3.97bn, virtually unchanged on 1994. Unfavourable currency movements cost the group around FFr210m.

Aid for Bremer Vulkan

The German government yesterday stepped up efforts to safeguard the future of Bremer Vulkan, the struggling German shipyard, by bringing forward the purchase of a property from the company worth DM70m ($47.4m), writes Michael Lindemann in Bonn.

The Bundesanstalt für vereinigungsbedingte Sonderaufgaben, the state-owned successor to the Treuhandanstalt which supervised the restructuring of eastern Germany, said it was prepared to put up the money if a consortia of banks advising Bremer Vulkan provided a further DM49m.

Bremer Vulkan, one of Europe's biggest shipyards, is being questioned by the European Commission about the possible misuse of a further DM850m of government funds. The money was supposed to go towards modernising eastern German shipyards taken over by the Bremen-based group, but reports allege it was used to shore up loss-making activities in the group.

INTERNATIONAL COMPANIES AND FINANCE

Cap Gemini Sogeti returns to black with FFr52m

By David Buchan in Paris

Cap Gemini Sogeti, a leading French information technology services group, returned to the black last year with a net group profit of FFr52m ($10.3m), following a FFr94m deficit in 1994 and losses in the two previous years.

Yesterday's figures follow the recent plan to reorganise and simplify ownership of the group, chiefly involving a merger with its Sogeti holding company.

Daimler-Benz will take a 25 per cent stake in the merged company while Mr Serge Kampf, the group's founder, and other company managers, will hold 20 per cent.

Mr Geoff Unwin, CGS managing director for operations, said yesterday that with a more "open and understandable capital structure", due to be sealed later this spring, and with Daimler-Benz having at last "clarified" its strategy, it was now possible for the group to embark on strategic discussions with new partners.

Mr Unwin cited recent discussions he and Daimler-Benz had held with Mr Bill Gates, the head of Microsoft, which had resulted in a co-operation agreement through which the German conglomerate will use the US company's technology in its products.

CGS said turnover rose 11.3 per cent last year to FFr11.3bn, against FFr10.17bn in 1994, with particularly strong growth, of 24 per cent, in telecommunications, of 21 per cent in financial services, and 19 per cent in transport and tourism.

Mr Unwin said prospects were particularly good in Asia, where CGS was "in negotiation with the information technology subsidiary of one of the biggest Japanese conglomerates" and where the group intended to focus most of its effort and investment.

However, Mr Unwin said he was "generally averse to further acquisitions", preferring partnerships instead.

He added that the group intended to sell its one third minority stake in Cisi, the lossmaking French information technology concern.

Brazil's private steel industry confident of its mettle

End of state ownership has brought about a remarkable transformation, reports Johnathan Wheatley

Choosing the steel industry to kick off Brazil's privatisation programme was a courageous but eminently winnable bet. Courageous, because of union and public opposition to a process that many suspected would lead to big job losses. Winnable, because the eighth-biggest steel industry in the world was so run down after decades of parsimonious, bureaucratic mismanagement that any change could only be for the better.

Less than three years after Brazil's six big steel companies moved into the private sector, the industry has been transformed. Loss has turned to profit, productivity has shot up, and the industry is taking full advantage of its new freedom to invest, despite last year's downturn in the economy.

"The industry suffered when consumer spending cooled in the second half of last year," says Mr Wilson Brumer, president of Acesita, Latin America's only producer of stainless steel. "But we are determined not to slow down our investment programme. We need to keep on investing to improve our costs and the quality of our products."

Until its privatisation at the end of 1992, investment at Acesita was an "inadequate" $20m-$35m a year, says Mr Brumer. One of the first acts of its new management was to approve a spending programme of $415m for 1994-97, designed to modernise the plant and raise stainless steel production from 120,000 tons a year to 290,000 tons.

The rest of the industry is just as determined. The Brazilian Steel Institute (IBS) says the industry spent $1.7bn on modernisation in 1994 and 1995, with a further $5.5bn earmarked to the end of the century – more than any other sector of the Brazilian economy, according to the IBS.

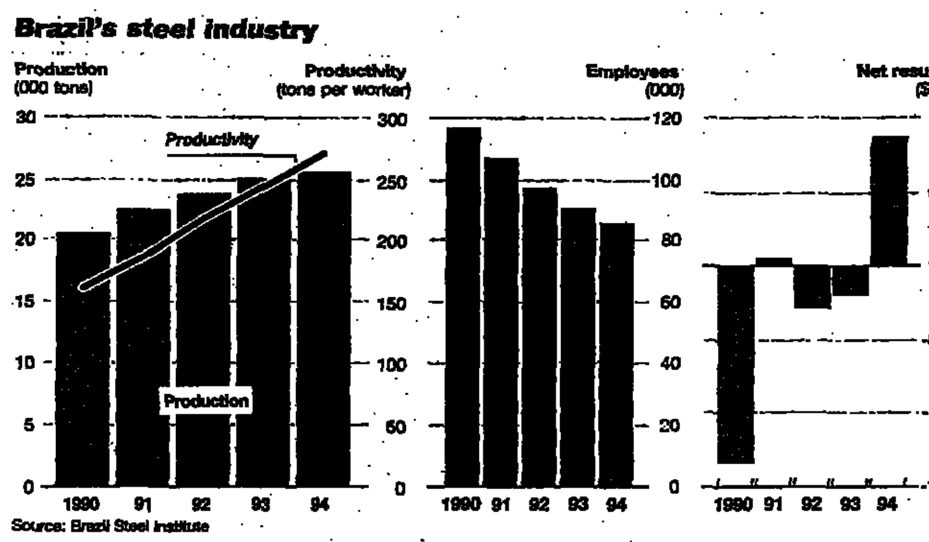
There is reason for optimism. Brazil is rich in iron ore and other raw materials, and most producers have good access to cheap power and transport. The industry competes strongly on all the world's leading markets. At home, where profits are bigger, there are big markets in construction, food packaging and, especially, the automobile industry. The boom in vehicle production, from 865,000 units in 1984 to 1.7m last year and a projected 3m by the end of the decade, guarantees a steady market.

The auto industry has also entered a series of partnerships with steel makers. Typical of these is Usiminas' announcement this month that it will deliver ready-stamped instead of flat steel to Fiat, one of its biggest customers, from a new production unit whose cost will be shared by the two companies. Açominas, a maker of semi-finished steel, is hopeful that the Fiat subsidiary Iveco will build a new truck plant on land it has offered free on a site next to its plant.

Some of the capital for investment comes from companies themselves, some from Brazil's national development bank. But the industry can also turn to international capital markets – unthinkable before privatisation.

The most recent such operation was concluded in January by Açominas, which raised $200m in an export securitisation programme. This was the biggest of its kind by a Brazilian company and the first in the industry.

Brazil's steel industry



Source: Brazil Steel Institute

Mr Fernando Barbosa, finance director, says the money will be used to pay off expensive short-term local debt at interest of 50 per cent a year, replacing it with a new loan at annual interest of 9 to 9.5 per cent over five years – high by international standards, but a bargain in Brazil. The operation will save Açominas $50m in financial expenses this year alone; money, says Mr Barbosa, that will be used on investments to improve efficiency.

The company's next initiative will be a public share offer. The size of the offer depends on the outcome of a study commissioned recently from NKK, the Japanese steel maker, and Beddows & Company, the US steel consultant, which will recommend investments to increase productivity and competitiveness.

The industry's new access to investment capital is a result of the impressive turnround in profitability after privatisation. Under state control, companies had little say in prices and employment levels; far from making money, the industry swallowed government subsidies of $26bn in 50 years.

Privatisation produced immediate results. Acesita lost $93m in 1992, its final year under public ownership. In 1993 it recorded profits of $31m and in 1994, $120m. Usiminas, which led the privatisation programme because it was the only one of the big six already making money, saw earnings rise from $69m in 1991, when it was sold, to $423m in 1994.

Productivity also increased dramatically. In the industry as a whole, output was 158 tons per worker in 1990; last year, the figure was 277 tons. The privatised companies have pushed productivity up to international standards. Usiminas, already producing 383 tons per worker in 1991, made 476 tons per worker last year. Açominas, which produced 279 tons per worker in 1991, says output reached a rate of 501 tons per worker per year in the last quarter of 1995.

The turnround had its cost. Violent scenes at privatisation sales were a symptom of widespread fears over job losses. Those fears were justified. According to the IBS, the industry employed 137,846 people in 1989; by 1994 the number had fallen to 86,026, and more jobs have been lost since.

For a chronically overstaffed industry, however, job cuts were the price of survival. After initial opposition, most workers have come to support their new management; in many of the privatised companies, workers make up the biggest single shareholder group.

Mr Rinaldo Soares, president of the IBS and of Usiminas, says the "paternalist mentality" that predominated under public ownership has been replaced by a common interest in company performance.

"Despite the apparent conflict between the interests of capital and labour," he says, "there is already an understanding in the company of shared responsibility, whether for positive or negative results."

However, Mr Soares is unlikely to hold his workers responsible for the downturn suffered by the industry in the second half of 1995, when a government credit squeeze cut activity across the economy. Big makers of finished steel, such as Usiminas, CSN and Cosipa, concentrate on the domestic market where earnings are bigger. Usiminas had profits to September last year lower at $231m; moreover, exports were up, to 32 per cent of output, a figure the company hopes will fall to a more usual 26 per cent this year.

The industry faces other unforeseen eventualities. Acesita saw production fall last year when blast furnace maintenance took longer than expected. Exporters of unfinished products, such as Açominas and CST, may be hurt by falling international demand in most markets outside Asia.

But these worries are part of "normal" life in the private sector, where managers are free to make contingency plans. Brazilian steel makers remain confident that their investments in quality and competitiveness will win them a stable future.

AMERICAS NEWS DIGEST

Bell Atlantic sues AT&T for $3.5bn

Bell Atlantic and switch maker DSC Communications have filed a $3.5bn lawsuit against AT&T for alleged anti-competitive practices.

The suit, filed in federal court for the Eastern District of Texas, alleges that AT&T has refused for years to build equipment that regional telephone companies could easily mix with products from other manufacturers. It accuses AT&T of hampering Bell Atlantic's ability to offer network services that would compete with AT&T.

AT&T's equipment arm has been renamed Lucent Technologies ahead of a planned initial public offering later this year.

AT&T shares fell $⅝ to $67¼ in early trading, while Bell Atlantic was down $⅝ at $71¼ in a broadly higher market.

AFX News, Texas

BCH sells Puerto Rico unit

Spain's Banco Santander has reinforced its position as the main foreign banking group in Puerto Rico by buying an offshoot of the rival Spanish group Banco Central Hispanoamericano for US$290m. The unit, known up to now as Banco Central Hispano Puerto Rico, has 12 branches and assets of $2.3bn, and was one of BCH's principal operations abroad.

BCH, which also has an offshore wholesale banking subsidiary in Puerto Rico, said the deal was part of a reorganisation of its interests in Latin America. These would now concentrate principally on a joint venture with the Chilean Luksic group, O'Higgins-Central Hispano, which recently made a successful takeover bid for a Peruvian bank, Banco del Sur del Perú.

BCH said the Puerto Rico deal would enable it to channel more resources into what it described as "markets with large growth potential and very profitable banking margins".

Banco Santander said the acquisition would increase its market share in Puerto Rico from 15 per cent to 18 per cent, with a total of 84 branches and combined assets of $9.3bn. The deal follows previous purchases on the island in 1989 and 1990.

David White, Madrid

Westburne stake on public offer

France's Lyonnaise des Eaux is selling most of its 56.1 per cent controlling interest in Westburne, one of North America's biggest plumbing, heating, electrical and refrigeration wholesalers, via a public offer worth about C$155m (US$112.5m).

Lyonnaise, through two Canadian subsidiaries, will sell 14.8m units of Westburne to an underwriting group led by Levesque Beaubien Geoffrion and Nesbitt Burns for re-offer to the public in Canada.

Each unit comprises one Westburne common share and one half a warrant being offered at C$10.50 per unit. One warrant entitles the holder to buy one Westburne share from Lyonnaise's holdings at C$11.50 up to March 31 1998. The issue can be increased by 670,000 units depending on demand. Westburne shares closed in the market on Wednesday at C$10.25. Lyonnaise's holdings through the two Canadian subsidiaries will be reduced to 2.7 per cent, though the French parent will retain a small direct holding.

Lyonnaise inherited the Westburne business when it merged with Dumez, the French construction company, almost a decade ago. Dumez holds two large construction management contracts in Eastern Canada and Lyonnaise wants to enter the North American water management industry.

Robert Gibbens, Montreal

Moore exploring options as Wallace proves elusive

By Bernard Simon in Toronto

Moore, the Toronto-based information handling group, may renew its seven-month pursuit of Chicago-based Wallace Computer Services later this year, but in the meantime is seeking other acquisitions and alliances, according to Mr Reto Braun, Moore's chief executive.

Wallace has so far succeeded in eluding Moore, which launched a hostile US$1.4bn takeover bid last July.

A proxy battle late last year led to three Moore nominees being elected to Wallace's board. But Moore was unable to attract sufficient votes to dismantle Wallace's "poison pill" takeover defence.

The Moore-nominated directors were "asking all the right questions", Mr Braun said, although he noted that their primary allegiance is to Wallace shareholders.

Mr Braun said Moore might launch another proxy fight later this year to install another three nominees, which could give the Canadian company control of the nine-person board.

"Maybe at that time it fits our strategy, and maybe the world will have moved on," Mr Braun added.

He said that Moore was currently exploring a number of other deals to expand its digital network printing business.

Moore yesterday reported 1995 earnings of US$367.5m, or $2.68 a share, up from $121.4m, or $1.22, the previous year. Revenues climbed from $2.4bn to $2.6bn.

Operating income fell by 11 per cent, but net earnings were boosted by proceeds from the reduction of Moore's stake in Toppan Moore, a Japanese printer, from 45 per cent to 10 per cent.

Fourth-quarter earnings fell to $22.4m, or 22 cents, from $39.2m, or 39 cents.

Operating income was ahead 17 per cent, but costs related to the Wallace bid cut earnings by 13 cents a share.

In addition, the 1994 fourth quarter was bolstered by a one-time gain of 12 cents a share from the elimination of debt guarantee obligations.

US market continues last year's record-breaking run

By Maggie Urry in New York

The Great Bull Market of 1995 is already becoming the Great Bull Market of 1996, confounding even optimistic market strategists.

Last year the Dow Jones Industrial Average galloped through 4,000, then 5,000, rising by a third in all. So far in 1996 it has scored four centuries, and is 10 per cent above its early January low.

Judging by the record flows of money into equity mutual funds in recent months, even as the market hits new peaks, there are plenty of investors who believe the market can go higher still.

One surprising feature of the record-breaking run is that it has raged uncorrected. There has not been a fall of more than 10 per cent since 1990; even the sudden upward movement in interest rates in early 1994, which did so much damage to the bond market, failed to cut the Dow by that amount.

Indeed, that early 1994 fall now looks a mere blip on the market's rise. After the steady upward incline seen between 1991 and 1994, the slope steepened after yields in the bond market peaked in November 1994. At that point the markets began anticipating interest rate falls, which did not materialise until July 1995. In the past few weeks, the gradient has steepened precipitously.

Even so, the equity market hardly looks overvalued in p/e terms. The multiple was falling until the beginning of 1995, due to rapid corporate earnings growth.

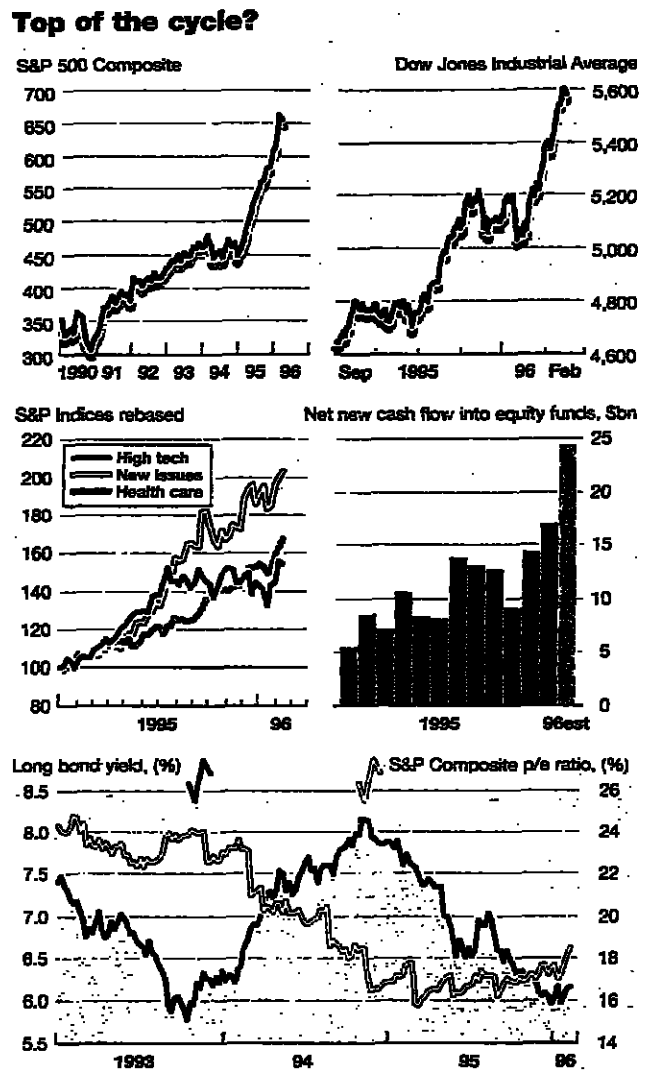
Only at the beginning of 1995 did the p/e begin to rise again, as the market's increase overtook earnings growth.

Although the outlook is for slower profit growth, many investors believe the improved quality of earnings justifies the current p/e ratio.

The bull market has continued in spite of a change in sector leadership. While technology stocks led the way upward for the first half of 1995, their increasing volatility later in the year did not end the market's rise. Instead, other sectors, notably healthcare, took on the lead role.

Another feature has been the success of new issues, typified by the dramatic performance of Netscape Communications. The Internet software company floated at $28 last August and rose as high as $170, before splitting its stock in two.

Top of the cycle?



Source: FT Extel, Datastream, Investment Company Institute

Why Friedland has opted for Falconbridge's DFR bid

Mr Robert Friedland, who has seen the value of his shareholding in Diamond Field Resources soar from a few hundred thousand dollars three years ago to more than C$500m (US$363m), insists he is not ready to cash in his 13 per cent stake despite the agreed C$4bn offer for DFR from Falconbridge, the Canadian nickel producer.

He will not not be taking any cash if the proposed merger is consummated. Neither will his co-chairman and co-founder of DFR, Mr Jean Boulle, who owns 10 per cent, nor Mr Edward Mercaldo, chief financial officer with 5 per cent.

Falconbridge wants DFR to gain access to the Voisey's Bay deposit in Labrador, which is set to become one of the world's biggest and lowest cost nickel producers by the turn of the century.

Mr Friedland, 44, said he and his colleagues "are not seeking cash. We want to see this project developed". He is clearly excited by the prospect of a merger that would create one of the world's top six mining groups by market capitalisation and almost certainly give him a place on its board.

The Falconbridge offer was unsolicited, he insisted. "I would be absolutely delighted if it proceeded exactly as described. We have got what we wanted."

He denied that Falconbridge was merely being used as a stalking horse to flush out higher offers. "The combination of Falconbridge, already the [western] world's lowest cost nickel producer, and DFR is an excellent one. The merged group would be as big as Inco [the Canadian group that is the world's biggest nickel producer] but have much lower costs."

Mr Friedland said Falconbridge brought with it technical strength, such as the best technology to recover cobalt from the Voisey's Bay ore – which would lower production costs – and "a relationship of trust" with the Inuit people, native to the Voisey Bay area, which should help to smooth the permitting processes. Falconbridge developed this relationship when seeking permits for its proposed Raglan nickel mine in northern Quebec.

Falconbridge wanted an integrated nickel complex at Voisey's Bay – mining, milling, smelting and refining – and the Raglan material would also be processed there. Mr Frank Pickard, Falconbridge's chief executive, has said the complex would cost at least C$1.5bn and provide more than 1,500 direct jobs in a province with fewer than 20,000 people.

The Falconbridge deal also offered DFR shareholders a stake in further exploration successes at Voisey's Bay and the possibility of being involved in a base metals producer with a wider range of operations than Inco because Falconbridge is a 50 per cent partner in Collahuasi, a world-class copper project in Chile.

Last June DFR signed a deal with Inco which took a direct 25 per cent share of Voisey's Bay and 7 per cent of DFR. (Mr Friedland has the obligation to vote these shares and those of Teck Corporation, another Canadian mining group that has 10 per cent of DFR.) Inco is obliged to find the finance to develop Voisey's Bay and to buy all of its output for the first five years and 133m lbs annually for the subsequent 15 years. Mr Friedland said the merged Falconbridge-DFR company would inherit these advantages.

He insisted: "It is not bad for Inco. It has 25 per cent of Voisey's Bay acquired on terms that now look very attractive."

Mr Friedland said there had been "very friendly" and numerous discussions with Inco about a merger before Falconbridge became involved but Inco could not see its way to agreeing with some of the conditions requested by the DFR board.

Inco did not have the right to match any offer for DFR but as a matter of courtesy to a partner, Inco was given a few days to consider its position. Inco said on Wednesday it would not respond immediately to the Falconbridge proposal but reserved the right to make an offer "at any time in the future".

Mr Friedland, speaking in London where he was visiting DFR institutional shareholders, suggested that it would "put the [DFR] board in a difficult position" if there was a counter proposal from Inco or any other mining company. "But we would be obliged to give any proposal serious consideration."

In the meantime, and in the absence of a rival proposal, DFR and Falconbridge yesterday signed the papers to set their merge process in motion.

Kenneth Gooding, Mining Correspondent

ASIA-PACIFIC NEWS DIGEST

WMC extends rally with 32% advance

WMC, the Australian metals producer formerly known as Western Mining Corporation, has continued its strong recent earnings recovery with solid increases in profit, sales and dividends for the half-year to December.

The company yesterday announced a 32 per cent rise in net equity-accounted earnings from A$140.9m to A$186.2m (US$140.9m) in the period, on a 17 per cent sales rise from A$938.3m to A$1.09bn. The interim dividend is up from 8 cents to 11 cents a share.

Mr Hugh Morgan, WMC managing director, said while the result had allowed the company to make progress on a number of expansion projects, metal prices had not improved as quickly as expected.

The nickel division remained the mainstay of the company's earnings, which lifted gross profit from A$81.5m to A$151.9m in the period. The aluminium division's contribution was up from A$86.3m to A$85m and copper-uranium operations lifted profit from A$39.8m to A$78.2m.

But lower production and higher unit costs, partially reflecting plant repairs, reduced gross earnings from the company's gold operations from A$57.4m to A$30m. Petroleum division profits eased from A$12.1m to A$10.2m.

Mr Morgan said the the results included a A$36.7m exchange rate benefit, against A$35.4m previously, and followed exploration spending of A$39.8m, up from A$40.9m.

Depreciation took A$176.8m, against A$172.4m, and interest expense took A$25.9m, compared with A$14.3m. The tax provision rose from A$41.7m to A$66.7m.

Bruce Jacques, Sydney

Tiffany plans Tokyo store

Tiffany, the US jeweller, announced plans to launch its flagship store in Ginza, Tokyo's upmarket shopping area.

While the retailer has 38 boutiques in Japan, all of its outlets are operated within department stores of Mitsukoshi, a Japanese high-street retailer. Tiffany's decision comes as the Japanese economy is set to recover and sales of brand name luxury products are reviving.

Japan is the company's second-largest market after the US, representing more than a quarter of the company's total sales. The company started its Japanese operations in 1972.

The new store, which is scheduled to open in May, will be designed after the Fifth Avenue store in New York including its granite exterior. *Emiko Terazono, Tokyo*

Japanese advertising up 5%

Japanese companies spent Y5,426.3bn ($50.8bn) on advertising last year, 5 per cent more than in 1994, Dentsu, Japan's leading advertising agency announced yesterday.

The increase, for the second year in a row, comes from a low base and brings advertising expenditure to just below the level of four years ago. It peaked in 1990 at Y5,564.8bn, just before the economy went into a five-year slide. Dentsu forecasts a rise in advertising spending of a similar order, 5 per cent to 6 per cent, this year.

Among the media, magazines led the way last year, up by 7.8 to Y374.3bn, followed by television with a 6.8 per cent increase to. Y1,755.3bn. Sales promotion, however, was the largest form of advertising, up 3.6 per cent to Y1,907bn.

By industry, the fastest growth in advertising spending came from car producers, up 22.4 per cent to a record Y251.4bn in a year when domestic car sales showed the first significant recovery since 1990. Next came office machines, where advertising expenditure rose up 16 per cent led by a rise in personal computer sale.

They were followed by government organisations, which spent nearly 15 per cent more on advertising than the previous year, chiefly a result of the communications and information demands of the aftermath of the Kobe earthquake.

William Dawkins, Tokyo

Falling prices hit Tonen

Tonen, the Japanese oil refiner, suffered a sharp decline in profits for the year to last December due to falls in petroleum product prices.

The company, in which Mobil and Exxon each has a 25 per cent stake, said non-consolidated recurring profits fell 64.4 per cent to Y13.2bn while net profits fell 44 per cent to Y10.5bn. Sales declined 0.9 per cent to Y438.4bn and operating profits plunged 82.4 per cent to Y5.1bn due to rising sales costs.

Consolidated pre-tax profits tumbled 31.5 per cent to Y29.3bn while group after-tax profits fell 8.7 per cent to Y20.1bn. Group sales increased 2.2 per cent to Y586.9bn.

Tonen company plans to cut its annual dividend by Y10 to Y40 per share, including a Y20 per share interim dividend. For the whole year to next December, the company expects a 6.4 per cent increase in unconsolidated recurring profits to Y14bn on a 2 per cent decline in sales to Y430bn. On a consolidated basis, the company expects pre-tax profits to drop 7.8 per cent to Y27bn on a 2 per cent fall in sales to Y586.9bn.

Emiko Terazono, Tokyo

News Corp offshoot slips

Pacific Magazines and Printing, the Australian magazine offshoot of News Corporation, has reported a 10 per cent fall in net earnings for the six months to December, following an increased tax bill.

The company yesterday reported earnings down from A$39.9m to A$31.4m on revenues up from A$427.5m to A$481.3m. The interim dividend has been reduced from 11.9 to 10.4 cents a share.

The company's printing operations raised gross profit by 9 per cent from A$41.1m to A$44.8m, while publishing division profits rose just 1 per cent to A$19.4m.

Growth in overseas earnings overshadowed a sluggish 1 per cent rise in Australian earnings from A$55.9m to A$56.7m. Earnings from European operations jumped 115 per cent to A$3.3m while Pacific Rim activities lifted their contribution by 47 per cent to A$4.4m.

The company's tax provision rose from A$13.4m to A$17.8m and depreciation took A$21.2m, against A$17.3m previously. Interest expense rose from A$11.5m to A$13.6m. *Bruce Jacques*

Placer Pacific downturn

Net profit at Placer Pacific, the Australian-based gold group, fell by 30 per cent to A$58.6m in the year to December following lower gold output and adverse currency movements. Sales eased 1 per cent to A$500.8m and the final dividend has been omitted.

Bruce Jacques

Strong retail demand fuels advance at Deere

Strong retail demand helped Deere, the US agricultural equipment manufacturer, increase net profit in the first quarter by 20 per cent to $166.2m, or 63 cents a share, reports AFX News from Illinois.

Revenues in the three months to January 31 rose from $2.1bn to $2.3bn. Net sales to dealers of agricultural, industrial and lawn care equipment were $1.9bn against $1.7bn in the comparable period.

All of the equipment businesses reported higher net sales during the quarter compared with last year.

Export sales continued to strengthen and totalled $308m, a gain of 19 per cent over last year. Additionally, overseas sales increased 33 per cent compared with a year ago.

Net income of the financial services subsidiaries was $48.7m for the quarter compared with $42.8m last time. Net income of the credit operations was $34.5m against $29.7m. On the insurance side, net income rose from $8.2m to $9.6m as a result of improved underwriting results. Net income of the healthcare operations was down slightly in the quarter compared with last year.

In the fight against disease, this could be the most powerful weapon yet.

It's not magic. But it may yet work miracles.

This is the trademark of a completely different kind of pharmaceutical venture.

The recently-merged Pharmacia & Upjohn.

It's a partnership that has created a company of quite remarkable depth and scope: over 30,000 people working in 50 countries and serving 200 million people around the world.

And it's for those 200 million people that this announcement should come as very good news.

Because the merger will give two pools of specialised medical talent the opportunity to work together for the first time ever.

Resulting in real, tangible benefits in the fight against cancer, AIDS, infectious diseases and many other medical conditions.

This merger is not simply a matter of shared resources, however.

It is also about shared ideals.

Our trademark stands as a symbol for humanity, hope and inspiration.

Values that we intend to apply to every single aspect of the way we do business.

You are surprised to hear such sentiments coming from a global pharmaceutical company?

This is not the last time we'll be surprising you.

You can be sure of that.

Pharmacia & Upjohn

INTERNATIONAL COMPANIES AND FINANCE

Barclays chief urges loan rethink at Japanese banks

By William Dawkins in Tokyo

Mr Martin Taylor, chief executive of the UK's Barclays Bank, yesterday warned Japanese competitors that their credibility would suffer unless they write down suspect loans in one hit, rather than over years.

His comments represent a rare public expression of a concerns among European and US bankers in Tokyo that many Japanese banks are being supported by balance sheets that appear weaker than they really are.

"I would strongly urge all Japanese banks who are drawing near to publication of their annual results to write down their suspect loans in one hit and start the year with a clear sheet. The international banking sector is expecting it and will be disappointed if it is not done," said Mr Taylor on a visit to Barclays' Tokyo office. "Investors and lenders will value the balance sheet as it really is."

Financial analysts and diplomats say foreign bankers in Tokyo suspect that nearly all Japanese banks' capital adequacy ratios would fall below the minimum set by international banking rules if they wrote down bad debts as rigorously as western competitors.

Indeed, Mr Brian Waterhouse, banking analyst at James Capel Pacific, estimated that none of Japan's top 21 commercial banks would be able to observe the Bank for International Settlement's 8 per cent ratio of capital to risk-weighted assets if they provided for a realistic proportion of their officially published Y23,600bn ($219.7bn) of bad debts in one annual chunk.

Less pessimistic analysts, such as BZW Tokyo's Mr David Threadgold, believe that perhaps two of Japan's leading banks could achieve the BIS ratio after making a single write-down of uncollectable debts.

The strongest Japanese banks have become more aggressive in making write-offs in the past year. However, the weaker ones are still planning to eke out fresh provisions, in one case until the end of the decade.

Mr Taylor pointed out that the "one-hit" approach worked at Barclays at the turn of the last decade, and even added a few pence to the share price immediately after the announcement of the debt write-down. Japan's financial system faces serious problems, but no-one outside Japan really believes they will not be overcome sensibly, he stressed.

The Barclays Group itself remained fully committed to Japan and saw a prosperous future there, especially in asset management, said Mr Taylor.

The group last year bought Wells Fargo Nikko Investment Advisors, turning BZW, its investment banking arm, into the world's largest passive fund manager. From this, yesterday it launched BZW Nikko Global Investors, a joint venture with Nikko Securities.


Martin Taylor: 'one-hit' approach worked at Barclays

Japanese public and private pension fund assets are expected to grow from $2,000bn now to $3,000bn by the end of the decade. The 3 to 4 per cent of corporate pension funds now managed by investment advisory companies is expected to grow to nearly 20 per cent over the same period, Mr Taylor said.

Canon's performance hard to copy

Michiyo Nakamoto studies the formula for the group's success

One burning question hangs over Canon, the Japanese precision machinery maker which recently announced a 49 per cent increase in profits for last year: can the company keep up the impressive track record maintained since it brought out its first camera in 1934?

In the year to December, Canon increased parent company sales by 14 per cent to Y1,231bn ($11.5bn). Recurring profits surged 49 per cent to Y80.2bn, while net profits were up 65 per cent to Y44.2bn.

Although the company did suffer from the sharply appreciating yen, which wiped off as much as Y128bn from Canon's profits in 1993, it has increased parent company sales by 51 per cent and recurring profits by 52 per cent since 1989.

Canon's recipe for success seems simple enough: diversify into areas where its advanced technology has given it the edge. Having reduced its dependence on cameras in the 1970s, as worldwide competition grew and its main markets became saturated, it switched its focus first to copiers and fax machines as office automation took off, and more recently on printers, which have been in growing demand on the back of strong PC sales.

But Canon's strength comes not only from its ability to spot new and better growth opportunities, but also from the concentration of its energies on products where a high degree of advanced technology has restricted competition.

For example, Canon has about 70 per cent of the world market for laser printers – including those it supplies to Hewlett Packard of the US – according to a report by ING Barings. Sales of laser printers rose 14 per cent in 1995, Canon says.

While laser printers, which use sophisticated technology for quiet, clear imaging, are at the high end of the market, Canon is also the second-largest manufacturer bubble jet printers, after Hewlett Packard.

The bubble jet printer market, where Canon has an estimated 40 per cent share, is seeing strong growth linked to the spread of PCs, and a trend among consumers to switch from dot matrix printers. Canon's bubble jet printer sales rose 38 per cent last year.

Although Canon is not expected to overcome Hewlett Packard's 50 per cent market share in the near term, it will continue to benefit from continuing overall growth of the market. In somewhat more mature markets, such as that of the copier, Canon has been able to stimulate demand by developing new products.

It introduced full colour digital copiers in 1989, and now maintains a 50 per cent global share of the colour copier market, according to the company.


The full colour digital copier: Canon still dominates market

Canon's firm hold in these markets provides another avenue of growth. Printers are not only high-margin products themselves, but they generate substantial profits from non-durable products such as inks and ribbons. Barings ING estimates that sales of non-durables will rise to Y360bn this year, compared with an estimated Y185bn for bubble jet printer sales and Y245bn for laser beam printer sales.

Furthermore, Canon's leading position means it has been able to raise prices in overseas markets to ameliorate the impact of a rapidly rising yen. Though the company has also cut costs by increasing overseas production and restructuring, its ability to raise overseas prices has helped it to weather the impact of the high yen better than many other Japanese manufacturers – despite an export ratio of nearly 80 per cent.

It has restructured its camera division to improve profitability, particularly in the 8mm video segment where it has concentrated on higher-end products.

Canon says it is not unduly concerned about its prospects. The company expects to be able to squeeze profits from various applications of its bubble jet printer technology for at least 30 years, Mr Hiroshi Tanaka, executive vice-president told a Japanese national newspaper.

Yet competition in the printer market is already bringing prices of bubble jet printers sharply lower, and Canon will probably need to find a new product in the not-too-distant future to sustain further growth.

The company has invested an estimated Y50bn – encompassing both research and development and a new manufacturing facility – in ferroelectric liquid crystal displays. It is also working to develop solar batteries. But these are areas where Canon already faces several competitors.

The question Canon watchers are asking is not just whether Mr Fujio Mitarai, president since last September, will be able to pull the Canon trick again, but also how much time he has left to do so.

Winning

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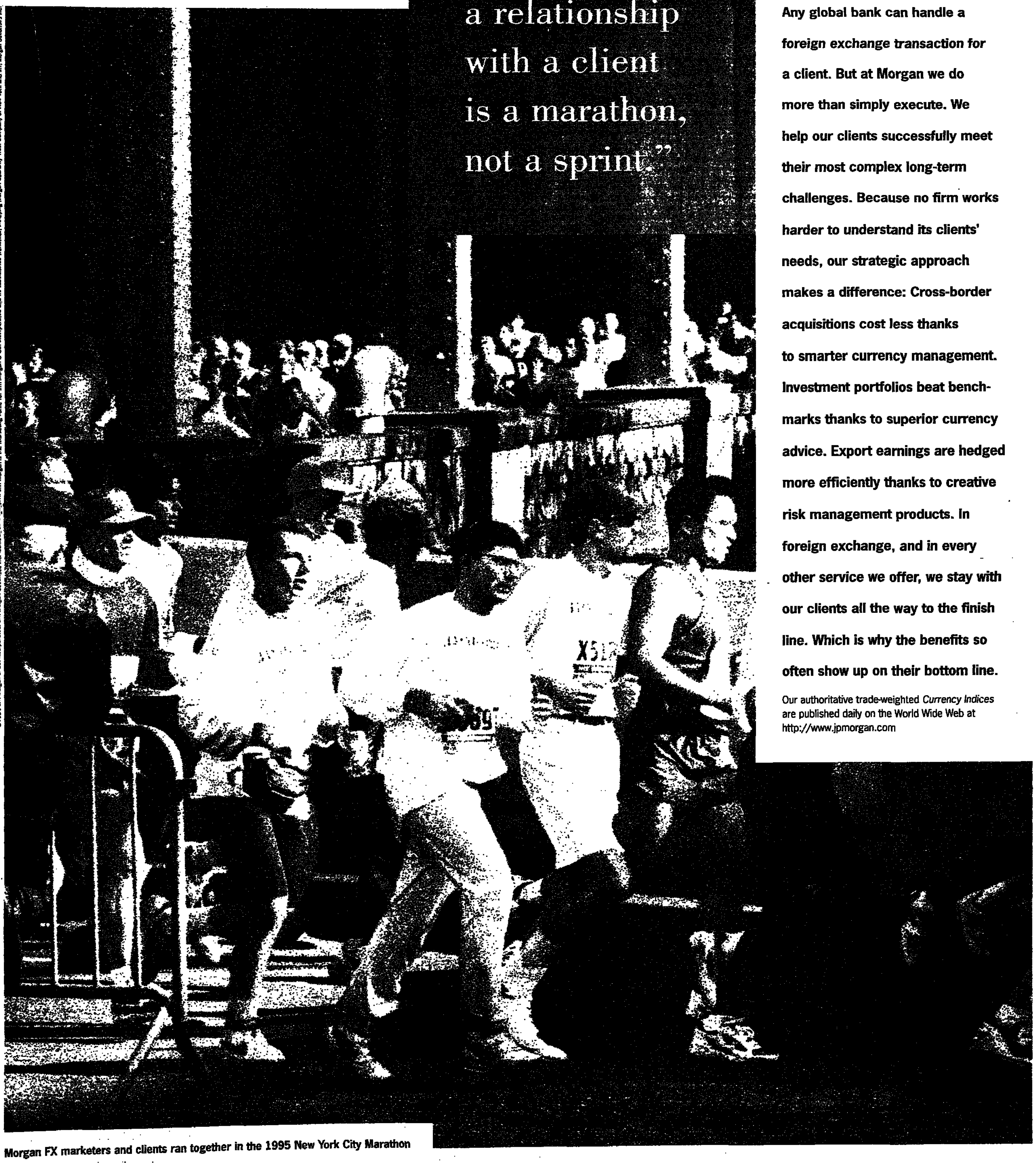

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JPMorgan

Group warns of continuing deterioration in refining margins and uncertain petrochemicals outlook

Royal Dutch/Shell lifts its dividend by 23%

By Robert Corzine and Jenny Luesby

Royal Dutch/Shell, the Anglo Dutch oil group, yesterday boosted its total dividend by 23 per cent to 33.3p a share as it reported record profits for 1995.

But the company also warned of a continuing deterioration in refining margins and an uncertain outlook for petrochemicals, one of its star performers last year.

Replacement cost profits excluding special items were £4.5bn ($6.93bn) up 25 per cent on 1994 and an all-time high for the group, said Mr John Jennings, chairman of Shell Transport and Trading, the UK operation.

The jump in the dividend set a "new platform" for the future, and he was confident that earnings growth was sustainable.

But Mr Jennings would not be drawn on whether Shell was planning any special dividends or share buybacks as a way of reducing its cash mountain.

The company reported cash, cash equivalents and short-term securities of £7.3bn at the end of the year. Total debt was £8.3bn, with a debt ratio of 17.1 per cent.

The upbeat assessment of long-term earnings growth contrasted sharply with performance in the previous fourth quarter, when replacement cost profits fell 63 per cent to £602m because of deteriorating refining margins and a sharp decline in chemical demand.

Fourth quarter earnings for the downstream division were down 18 per cent at £346m (£423m). Tighter refining margins offset volume growth, even in fast growing Asian markets which have traditionally been one of Shell's strengths. Mr Jennings predicted that tighter Asian refining margins "won't go away."

He confirmed that Shell was studying options for its refining assets in Europe and the US, where chronic over-capacity has plagued the industry in recent years.

The chemicals division had "a very skewed year" said Mr Jennings. It had accounted for 13.2 per cent of group sales, compared with 10.4 per cent previously, and earnings more than doubled from £502m to £1.13bn, excluding special items. But a margin squeeze in plastics, described by the company as "historically catastrophic", had cut chemical profits in the fourth quarter, from £198m to £54m.

Most of this decline had been generated by "very disappointing" results at plastics producer Montell, the joint venture with Montedison, which recorded a $123m loss, including $64m of restructuring charges.

Prices and demand had now firmed, said Mr Jennings, and the group hoped to see some margin improvement in chemicals later in the year.

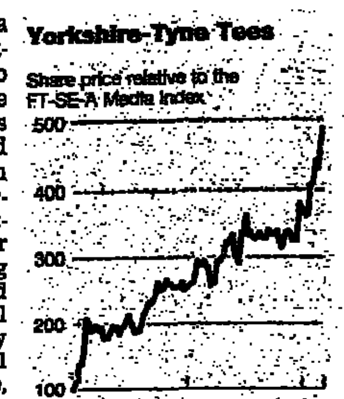
"We have not lost our nerve in chemicals," he said. The group continued to make large investments in petrochemicals, in spite of the cyclical nature of the business.

Total capital expenditure last year was £7.5bn, up almost 10 per cent on 1994.

Exploration and production profits for the fourth quarter increased 21 per cent to £508m (£420m), as a result of higher volumes and prices. Full-year earnings were up 21 per cent at £1.8bn.

LEX COMMENT

Granada's raid



Those who thought Granada was too preoccupied digesting Forte to give attention to television were wrong. Quite the reverse: it is Granada's main ITV rivals, Carlton and MAI, which have been caught napping by yesterday's dawn raid on Yorkshire-Tyne Tees. Its 24 per cent stake puts it in a strong position to mount a full bid once the broadcasting bill hits the statute book. It may also be enough to deter rival suitors. The purchase price, equivalent to about 33 times expected earnings, may look a bit rich. However, if one believes Yorkshire's extremely high licence fees will eventually fall, the multiple is not so extravagant. Moreover, given the geographical contiguity of Granada and Yorkshire, the scope for cost-cutting is fairly high.

A combined Granada/Yorkshire would make maximum use of the freedoms envisaged in the broadcasting bill: its share of TV audiences would be 13 per cent against a limit of 15 per cent; its share of advertising would be just under the 25 per cent limit that could be blocked under competition legislation.

Neither Carlton nor MAI are as fortunate. While Carlton is probably eager to buy MAI, so breaking the latter's betrothal to United News, such a move would breach the advertising limit. MAI's problem is the reverse; its TV audience share is only 5 per cent. Yorkshire's 6 per cent share is now probably beyond its reach. If MAI wants to build its ITV business, it will be forced to mop up a few smallish franchises like STV and HTV.

Recruitment at Babcock as orders increase

Trevor Humphries

John Parker: new contracts in Britain, Pakistan and Malaysia

Babcock International, the engineering, materials handling and facilities management group, yesterday said it was creating up to 350 jobs in its process engineering division after winning a raft of new orders, writes Tim Burt.

The recruitment drive will increase the division's workforce by almost 30 per cent to more than 1,600, with most of the new staff working at plants on Teesside and Crawley, West Sussex.

Mr John Parker, chairman, said the additional engineers were needed to work on three contracts in Britain, Pakistan and Malaysia: "These new orders, together with other recent orders in Yemen, Bahrain and Syria, will create a workload in excess of 1m man hours over the next two years."

In total, the latest orders were said to be worth up to £40m, augmenting a further £100m of orders announced by the group last month.

The UK order involves engineering and project management services for SCM Chemicals, the Hanson subsidiary, which is spending £75m on expanding its titanium dioxide plant on south Humberside.

Babcock has also secured a contract from Parco, a Pakistani-Abu Dhabi joint venture, to provide technical consultancy services for a new oil refinery. In Malaysia, it will help build a £20m distribution terminal.

Separately, the group said the restructuring of its German materials handling operations would be completed by the end of March, reducing the workforce from 600 to 440.

The company, which last autumn announced a £9m provision to cover the restructuring, said it would take a further £2m charge to cover disputes over a £11m project in the former Soviet Union.

That charge is expected to be offset by an exceptional gain of up to £3m from the receivers handling a previously written-off investment in Germany.

Babcock shares dipped 1p at 138p.

Farnell must fulfil promises

Christopher Price on how institutional shareholders were persuaded

Mr Howard Poulson, chief executive of Farnell Electronics, described the Premier deal as a "once in a lifetime opportunity." It was a view not shared by a significant minority of shareholders, who yesterday came close to sinking the merger plans of the two electronic component distributors.

Yet when he signed the agreement with Mr Morton Mandel, the founder and chairman of Premier, three weeks ago, Mr Poulson believed the industrial logic of the move would be readily endorsed by Farnell shareholders.

At a stroke, Farnell, the second largest catalogue distributor of electronic components in Europe, would be transformed into the third largest in the world through its merger with the US's biggest operator. It would also create a group with a combined market capitalisation of about £1.6bn hovering at the edges of the FT-SE 100.

Farnell produced an array of persuasive statistics and arguments in favour of the deal. The synergies of the merger would produce cost savings in a number of areas.

Most persuasively of all was Mr Poulson's assertion that the chance to buy a company with such a large presence in an otherwise fragmented market was not to be missed.

The two companies were introduced in October through Mr Robert Horton, a Farnell non-executive director and, through his time with BP and Sohio in Cleveland, an associate of Mr Mandel. At 74, the Premier chairman was looking towards retirement and the chance to strike a deal with a management he considered shared the same culture and strategic outlook appealed.

So too, doubtless, did the prospect of potentially receiving a quarter share in the new entity, worth about £500m and the post of deputy chairman.

But Mr Poulson and his team argued tirelessly in more than 60 institutional presentations that the price being paid was not an excessive one. They pointed out that Electrocomponents, one of the largest catalogue distributors in Europe is rated on 22 times its prospective earnings for 1996, against an exit price of 24 times being paid for Premier.

However, the price was only one of several objections fielded by some shareholders. Standard Life in its statement of dissent issued last week, underlined the dilution to shareholders' earnings and the enormous risk it considered the company was taking in saddling itself with so much debt to pay for the deal.

There were also concerns about the management of the new company, with worries over the continued dominant presence of Mr Mandel.

The Farnell team, backed by advisers NatWest Securities and BZW, rebutted all the criticisms and successfully persuaded several rebellious institutions to support the merger.

Earnings dilution in the first year was deemed a sufficient price to pay for the medium-term benefits. The cash generative nature of electronics components distribution was underlined in order to offset concerns about the company's debts. Finally, great effort was put into reassuring the institutions that Farnell's management was up to the job and had consistently delivered on its promises in the past.

However, a defiant rump remained and yesterday denied the Farnell board the ringing endorsement it was hoping for. The pressure on the management to deliver on its promises of the past three weeks has never been greater.

Controversy fuels large turnout

By Norma Cohen and William Lewis

By several investor yardsticks, Farnell Electronics' agreed bid for Premier Industrial Corporation was extraordinary.

Almost upon its launch, it was greeted with a chorus of disapproval from several large shareholders, some of whom took the unusual step of identifying themselves publicly.

"The fact that we raised the level of debate forced everybody to get out and vote," said Mr Dick Barfield, director of investment at UK life insurer Standard Life, an early opponent of the deal. "There is very little debate among shareholders of an acquiring company."

Second, it attracted an extraordinary number of votes from shareholders on the day of reckoning, nearly twice the normal level of voting at resolutions put to investors in the UK's largest companies.

Some 77 per cent of Farnell's shares were voted in total, a level which ensured that the 16 per cent of its owners who opposed the bid were defeated. But had voting more closely mirrored the level typical of the UK, the 16 per cent would have been enough to block the bid.

A survey published last year and carried out by Professor Chris Mallin, then at Warwick Business School, found that the overall voting level at the UK's top 250 public companies was an average of 35 per cent. Resolutions at extraordinary meetings, such as those held yesterday by Farnell, need approval from 75 per cent of those present and voting and even opposition from 10 per cent of investors would have thwarted the deal.

"The Farnell meeting does mark a watershed in corporate governance in the UK," said Ms Anne Simpson, joint managing director of Pirc, a corporate governance consultancy which advised clients to vote against.

In explaining the high turnout, shareholders cite two factors; first, news that a significant minority opposed the deal forced the advisers and the company to work harder to get the vote out. Second, UK institutional investors are slowly getting the voting habit.

"More and more of our clients are telling us to vote and some say they want us to vote on everything," said Mr Paul Myners, executive chairman of fund managers Gartmore, whose own policy is to vote all the shares it manages. However, UK shareholders are hardly in the grip of a voting epidemic.

But increasingly, fund managers are feeling pressure from non-UK clients, particularly those in the US where voting pension schemes are required to vote every share they own.

Mr Myners, argues that the deal underscores a fundamental flaw in the way deals are made in the UK. That is, shareholders are barred from opposing them as a practical matter. "If you vote against a bid, you damage the company with a vote of 'no confidence' in its management." Indeed, several shareholders said that Farnell's own management had privately suggested it would have to resign if the deal were voted down, leaving the company rudderless.

DIGEST

Bid decision for UniChem

UniChem was yesterday believed to be planning to top rival Gehe of Germany's £584.3m cash bid for pharmacy group Lloyds Chemists, possibly today. The board was understood to have been locked in a meeting last night, making its final decision.

UniChem has been widely expected to increase its offer since its £511m cash and share bid was trumped by Gehe, Europe's largest drugs wholesaler, last week.

To win Lloyds, the market expects UniChem will have to raise its bid to 470p-480p per ordinary share. Gehe is offering 450p per ordinary share in cash and a further 290p per Lloyds preference share.

Expectations of a new offer from UniChem have pushed Lloyds ordinary shares up from 366p the day before UniChem launched its bid last month, to yesterday's close of 470p. The preference shares closed unchanged at 300p.

UniChem shareholders are due to meet at the company's headquarters in Chessington this morning to vote on the original bid.

Gehe has been waiting for UniChem to move before posting its offer document to Lloyds investors. *Peggy Hollinger*

BTR in $80m GenCorp deal

BTR, the industrial conglomerate, yesterday confirmed the widely-trailed expansion of its automotive operations by spending $80m (£51.9m) on the vibration control subsidiary of GenCorp, the US manufacturing group.

The Indiana-based business, employing 1,200 people, will be integrated into BTR's existing vibration control division which already supplies motor manufacturers from plants in Britain, Germany, Brazil and Spain.

Mr Ian Strachan, chief executive, said sales by the enlarged division would exceed $550m. "The acquisition establishes an important new manufacturing and customer base for BTR in North America," he added.

GenCorp's vibration control business contributed $6m (£3.8m) to GenCorp's $97m operating profit in 1994 – the latest full year for which figures are available – from sales of $140m.

Some US analysts expect its 1995 operating profits to increase to about $11m, on sales of more than $150m. BTR's latest move underlines its commitment to industrial manufacturing, while also continuing with non-core disposals.

One City analyst said it showed BTR was changing "from an unfashionable conglomerate into a focused engineering stock."

Shares in the group rose 2p to 328p. *Tim Burt*

GT Chile will force sale

The board of the GT Chile Growth Fund, the investment company with more than £240m in assets, yesterday confirmed that it intended to compel Regent Kingpin Acquisitions to sell part of its holding in the fund, unless Regent substantially altered its plans to liquidate the fund.

Regent Kingpin holds more than 65 per cent of GT Chile following a hostile bid. It has asked the board to resign, but the board has refused.

Regent said: "If this ends up in court it will take months to settle, but we are confident of winning." *Roger Taylor*

Siebe sells US business

Siebe, the international controls and temperature appliances group, is selling Barber-Colman Motors, its small US electrical motors subsidiary, to Jordan Industries of Illinois for £13m.

Mr Allen Yurko, chief executive, said: "The divestiture enables the Siebe temperature and appliance controls division to focus more closely on its major markets."

Intrum Justitia acquisition

Intrum Justitia, the debt collection and credit management group, is expanding its Finnish business with the acquisition of Tietoperinta, the country's largest debt collection company.

The consideration is an initial FM31.4m (£4.5m) with an adjustment making a final amount not in excess of FM33m.

Tietoperinta had a turnover of FM47m in 1994, on which it ran up losses of FM4.6m, although it expects a return to profit in 1995. Net assets were FM12.7m.

RESULTS

	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allied Leisure .... 28 wks to Dec 31 ★	9.68	(9.54)	0.515	(0.773)	0.63†	(1.03)	nil	-	nil	-	nil
Armitage Brothers .... 28 wks to Dec 10	14	(13.6)	0.625	(0.57)	15.5	(14.1)	3.1	Apr 15	2.9	-	6.8
CLM Insurance Fund........ Yr to Dec 31 ☆	-	(-)	2.21	(1.66)	1.77	(1.18)	1.27	Feb 29	0.98	2.7	2.4
Mersey Docks .... Yr to Dec 31	138	(129.9)	31.7	(33.6)	24.48	(25.33)	7.85	Apr 22	7.2	11.5	10.5
Royal Dutch .... Yr to Dec 31 ‡	95,449	(84,317)	4,375♠♦	(4,070♦)	13.1	(13.28)	5.6	May 28	5.05	9.5	8.85
Shell Transport .... Yr to Dec 31	95,449	(84,317)	4,375♠♦	(4,070♦)	47.8	(45)	20.4	May 22	15.9	33.3	27.1
Ward Holdings .... Yr to Oct 31	29.79	(35.77)	3.51	(4.05)	6.7	(7.7)	1	Apr 3	1	1.5	1.5

Investment Trusts	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Smaller .... Yr to Dec 31	204.7	(165.1)	0.851	(0.568)	3.8	(3.3)	2.2	Apr 23	2.2	3.4	3.4
General Cons .... Yr to Dec 31	240.1	(202.1)	3.47	(3.36)	9.98	(9.47)	2.66	Apr 4	2.4	9.56	9.3
Greenfriar .... Yr to Dec 31	513.5	(449.7)	0.999	(0.848)	8.37	(7.35)	4.8	Mar 27	4.65	7.05	6.85
Pantheon Intl .... 6 mths to Dec 31	278.6	(256.1■)	0.318	(0.974)	0.94	(3.91)	-	-	-	-	2.3
Primadona .... 6 mths to Dec 31	351.15	(297.09)	0.442	(0.147)	9.83	(3.26)	2.5	-	2	-	5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives for 24 weeks. ☆Comparatives for 14 months. †On increased capital. ‡Earnings and dividend data in Dutch currency. ♠After exceptional charge. ♦Net profit. ■At June 30 1995

Airtours invests in Scandinavia

By Scheherazade Daneshkhu

Airtours, the UK's second largest tour operator, has strengthened its presence in the Scandinavian market by spending £60m ($92.4m) cash on two related deals. It has paid £10m for Simon Spies Holding, a rival Danish tour operator owned by A/S Conair Consolidated Aircraft Corporation, and £50m for aviation assets, also from Conair.

The acquisition of Simon Spies was made through Scandinavian Leisure Group, which Airtours bought in 1994.

The purchase raises Airtours' share of the Danish market from 6 to 46 per cent and gives it 20 per cent of the Finnish market, where it had no presence previously. Overall, Airtours now has 43 per cent of the Nordic tour operating market, up from 25 per cent.

As a result of the acquisition, Airtours owns all the equity in Premiair, the main provider of aircraft seats to Spies and SLG. Its joint owners. Premiair has bought £50m of assets, comprising three Airbus A300, aircraft spares, ground equipment and a hangar at Copenhagen airport.

Simon Spies made an operating profit of £600,000 in 1995, on turnover of £248m and has net liabilities of £8m. It carried 570,000 passengers last year and owns two hotels in Spain.

Mr Charles Mason, leisure analyst at BZW, said SLG had been competing against Spies and had forced it to negligible profits. The acquisition was a "sensible diversification" and plugged Airtours' Danish gap in the Scandinavian market.

The acquisitions were made from existing resources.

Mr David Crossland, Airtours chairman, said the acquisition of Spies, which he called "a national institution in Denmark" gave Airtours "a pre-eminent position in all three Scandinavian markets and extends our operations eastward into Finland."

Slough Estates in £55m Sydney sale

Slough Estates, the fifth largest UK property company, has sold four industrial properties in Sydney for A$115m (£55m) and signalled its intention to dispose of its remaining Australian assets, writes Simon London.

Mr Derek Wilson, managing director, said the disposal proceeds would be reinvested mainly in the UK, where Slough is expanding its property development activities.

The deal reduces Slough's Australian portfolio to 670,000 sq ft of industrial space in Melbourne, which is also earmarked for sale.

Slough's move is the third recent change of international strategy by a UK property company. Last year, Hammerson sold its Australian assets in favour of the UK and continental Europe. MEPC has said that it is pulling out of continental Europe in favour of the UK, North America and Australia.

The disposal of Slough's four Sydney buildings, amounting to 1.66m sq ft, is conditional on the vendor, a property fund managed by Colonial Mutual, raising additional capital through a rights issue.

COMMODITIES AND AGRICULTURE

Supply shortages forecast to drive lead prices higher

By Kenneth Gooding, Mining Correspondent

Western Lead Market Balance ('000 tonnes)	1997	1996	1995	1994
Production	4,760	4,650	4,575	4,484
Consumption	5,040	4,940	4,820	4,761
Net imports	130	130	140	233
US stockpile disposals	60	50	35	63
Net balance	-90	-110	-70	+19

Source: EIU

Consumers must expect higher prices and increased price volatility on the London Metal Exchange's lead market, according to the Economist Intelligence Unit.

It suggests that growing shortages of the metal – used mainly in batteries – will drive the price this year to 20 per cent above the 1995 average or from 28.6 cents a pound ($630 a tonne) to 34.3 cents ($756).

Lead for delivery in three months on the LME rose sharply yesterday to close up $18 at $770.50 a tonne.

The EIU, in its latest Industrial Raw Materials report, says that lead consumption last year, at 4.82m tonnes, outpaced production, 4.575m tonnes, by 70,000 tonnes. It sees the supply deficit rising to 110,000 tonnes this year and expects another deficit of 90,000 tonnes in 1997.

Lead consumption in the western world is forecast to grow by 2.5 per cent this year, to 4.94m tonnes, but the growth rate will fall to 2 per cent in 1997. "This is close to the medium-term, sustainable growth rate in lead demand consistent with a forecast 2 to 3 per cent per year rise in the numbers of vehicles in use worldwide over the next few years," the report points out.

Meanwhile, "there appears only limited scope for an increase in refined production in 1996 despite the prospect of more attractive metal prices and lower raw material costs".

The EIU suggests that reported lead stocks could be down to only 4.5 weeks' consumption by the end of this year. This will be offset partly, however, by continuing high unreported stocks, although these also are expected to be below present levels.

Although the lead price may consolidate early in 1997 (the EIU forecasts an average price of 38 cents a pound, or $837.50 a tonne, in the third quarter of next year) further price rises seem possible thereafter.

The report warns: "The [lead] market will become a target for investment fund interest as shortages emerge, and this will exacerbate volatility".

● The EIU is taking a more bearish view of prospects for aluminium and copper today than it did in December. It now predicts 1996 aluminium prices will average $1,581 a tonne, nearly 14 per cent below the 1995 average of $1,832, and sees copper averaging $2,314 a tonne, 21 per cent below last year's $2,933.50. Consequently the EIU industrial raw material index is now forecast to fall by 8 per cent in 1996.

World Commodity Forecasts: Industrial raw materials: £299 or $575 for six issues or £75 or $140 per issue from the EIU, 15 Regent Street, London SW1Y 4LR.

US farm bill 'will force further CAP reforms'

By Deborah Hargreaves

The US farm bill will force the European Union to initiate further reforms of the Common Agricultural Policy or risk seeing its share of world export markets decline, according to a report by the Produce Studies consulting group, which is due to be launched on Monday.

"I doubt if European agribusiness appreciates the dramatic changes in American agriculture which will result from the US farm bill," says Mr Martin Abel, senior economist at Produce Studies' Washington office and one of the report's authors.

Changes in US farm policy have already led to the abolition of planting restrictions on arable crops. The report predicts that this will lead to a large expansion of the area planted with wheat in the US from 70m acres in 1995 to 82m acres by 2002.

The US share of world wheat trade is forecast to rise by 2 per cent during this period to 36 per cent. The report forecasts that the US share of world trade in coarse grains such as maize, will grow from 27 per cent to 34 per cent by 2002 if the CAP is not reformed.

Mr Abel forecasts that the US will capture much more of the world meat trade with its share of poultry exports rising to 66 per cent from 47 per cent, pork to 33 per cent from 10 per cent and beef to 25 per cent from 17 per cent.

These increases will come largely at the expense of the EU, particularly in markets in Japan and the Pacific Rim where US exporters have already geared up to expand sales. The report also points to an influx of US pork and poultry products into eastern Europe and Russia.

"In all these sectors, the EU will continue to be disadvantaged from more fragmented and smaller scale production, processing and marketing efforts," the report notes.

Produce Studies believes the EU will have to move away from set-aside restrictions on crop planting and compensation for price cuts towards farm payments linked to social or environmental criteria.

The report says that the EU is beginning to confront the same problems met in the US with its policy of idling land: "increasing difficulty of administration, complications of conflicts between one part of a policy and another, and lack of flexibility".

If the EU were to expose farmers to world market prices, around 300,000 to 400,000 would be able to compete internationally, Mr Tony Houghton, director of Produce Studies, said yesterday. Smaller farmers could continue to receive some form of support.

"Unless we have some further reforms of the CAP, we will continue to be the poor relation of world trade," he said. The European Commission recognised the growing competition from the US and saw the need to reform the CAP to accommodate eastern European countries.

US Agricultural Policy: A Radical New Direction, available from Produce Studies, Northcroft House, West St, Newbury, Berks, RG14 1HD. Tel. 01635 46112.

Poland reopens talks on North Sea gas supplies

By Christopher Bobinski in Warsaw

Poland has reopened talks with North Sea natural gas producers about deliveries over the next 15 years after the collapse two years ago of negotiations about large scale supplies from the same source for the central European area.

Mr Aleksander Findzinski, the head of the Polish Oil and Gas Company (PGNiG), the state-owned natural gas producer and supplier, said yesterday that talks were continuing with British Gas while an "exploratory" meeting was planned for next week with Statoil of Norway.

The talks come as Poland hopes next month to sign a long term delivery agreement with Gazprom, the Russian gas company, for an annual 13bn cu m of gas in the year 2010 from the Jamal field in northern Russia.

This is to be opened up through a new 4,000km gas pipeline planned for construction across Belorus and Poland and into Germany.

Poland plans to use a further 4.6bn cu m from domestic sources while another 4.6bn cu m would be supplied by Russia under existing long term contracts. As PGNiG estimates that the country's gas needs could reach 27bn cu m in 2010, the balance according to Mr Findzinski, would have to come from the North Sea and in liquid form from the Middle East.

Yesterday, for the first time, Mr Klemens Scierski, the Industry Minister revealed that Poland's long term natural gas plans included the prospect of deliveries of between 1.5bn and 4.5bn cu m from the west. Another 1bn to 2bn cu m would come into the country through the Baltic ports in the form of liquefied natural gas.

At the moment Poland has two small capacity links with the German natural gas pipeline network near Szczecin in the north and further to the south near Zgorzelec. These can be used for imports of around 80m cu m a year. Those links would be upgraded to allow for larger purchases of natural gas from the west after talks on purchases had been completed, Mr Findzinski said. Imports of LNG would also require the construction of a costly terminal on the Baltic coast.

Last year Poland used 10.4bn cu m of natural gas with 3.7bn cu m coming from domestic sources and 6.7bn cu m imported from Russia.

Talks with Norway about the supply of an annual 10bn cu m of natural gas from the North Sea to Poland, Slovakia and the Czech Republic ended two years ago. This would have involved deliveries into Emden in northern Germany and across Poland into central Europe. Another set of talks with a British Gas-led consortium for deliveries of comparable amounts of gas from the North Sea also ended in mid 1994.

Caribbean bug threat spreads

By Canute James in Kingston

A farm pest discovered in the Caribbean last year is spreading through the region and disrupting trade in agricultural products. The hibiscus mealy bug has attacked sugar cane, coffee and cocoa in several countries.

The infestation is heaviest in Grenada, where the bug was first identified, and the pest has been found in Trinidad and Tobago, St Kitts and Jamaica. Venezuela, Barbados and St Vincent are likely to be affected next, say entomologists.

They report that almost all of Grenada is affected, while the infestation is spreading in Trinidad. Officials in St Kitts said the pest has been confined to areas close to the main port, but later reports say another area of infestation has been discovered.

The fight against the mealy bug has included the use of a Chinese wasp and a ladybird beetle. "The number of these ladybird beetles is still small because they were imported in small numbers and have to be multiplied," says Dr Janice Reid, an entomologist at the Caribbean Agricultural Research and Development Institute.

The Cayman Islands has joined the list of countries that have banned food imports from the affected affected areas. The Caymanian ban, however, does not include Jamaica, its main source of agricultural products. The US Department of Agriculture is considering whether it should ban food imports from the affected islands.

Scientists and government officials from all countries in the region will meet later this month to co-ordinate their efforts to eradicate the mealy bug.

Urban farming grows as poor dig for victory in the battle against hunger

By Deborah Hargreaves

Poverty-stricken households are producing one-seventh of the world's food in rubbish dumps, on roof tops and on waste ground, according to a report by the United Nations Development Programme. Urban farming is practised by an estimated 800m people worldwide and is most prevalent in Asia.

The world's poorest urban households spend 90 per cent of their income on food, says the report. Urban farming gives them access to better food at a lower cost. It ranges from growing crops on roof tops to rearing livestock in the backyard and keeping fish in ponds, streams and lagoons.

Growing food in the city also provides much-needed jobs. In Calcutta, India, about 20,000 people are employed farming on the city's rubbish dumps.

"In some cities, as many as one-fifth to two-thirds of all families are engaged in agriculture with as many as a third of these having no other source of income," says the UN Development Programme.

Farming in cities can have environmental benefits with cattle consuming rubbish and sewage feeding lagoons where fish are raised, the report says.

Although many people are involved in urban farming, its potential is often ignored by governments and development agencies, the report says.

Ugandan tea output down

Uganda's tea production fell 6 per cent in 1995 compared with the previous year because of poor prices on the world market, the Uganda Tea Authority said this week. Output was down to 12,687 tonnes from 13,461 tonnes in 1994, reports Reuters from Kampala.

"World prices remained low during the year, and with ever increasing costs of production, many farmers abandoned some of the farmland," said Mr Miria Mugabi, UTA's general manager.

It was the first decline in Uganda's tea industry since 1989, UTA records showed.

Uganda has been trying to revive its tea industry in an effort to move away from just a few export crops.

President Yoweri Museveni has returned almost all the 20,500 hectares of tea estates to former Asian owners who lost them when dictator Idi Amin expelled all ethnic Asians in 1972.

The tea industry suffered so badly that by 1981 only 2,000 hectares were under cultivation.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1619.5-20.5	1647-48
Previous	1596-97	1625-26
High/low	1611.5/1611	1650/1636
AM Official	1612-12.5	1643-44
Kerb close		1642-43
Open int.	217,944	
Total daily turnover	40,182	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1370-80	1405-10
Previous	1365-75	1400-405
High/low		1410
AM Official	1378-82	1410-12
Kerb close		1410-12
Open int.	4,800	
Total daily turnover	1,759	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	771-72	770-71
Previous	750-51	752-53
High/low	771	775/756
AM Official	771-72	771-72
Kerb close		773-4
Open int.	35,900	
Total daily turnover	6,251	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8270-75	8380-82
Previous	8105-15	8220-25
High/low		8425/8280
AM Official	8260-65	8365-70
Kerb close		8390-400
Open int.	41,606	
Total daily turnover	8,147	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6200-210	6265-75
Previous	6185-75	6235-40
High/low	6220/6205	6290/6260
AM Official	6210-15	6270-75
Kerb close		6270-75
Open int.	15,940	
Total daily turnover	2,782	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1042-43	1061-62
Previous	1026-27	1047-48
High/low	1041	1063/1056
AM Official	1041-42	1061-62
Kerb close		1058-9
Open int.	81,112	
Total daily turnover	26,338	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2519-22	2493-4
Previous	2504-7	2487-88
High/low	2529/2526	2504/2492
AM Official	2528.5-29	2498-99
Kerb close		2493-4
Open int.	179,072	
Total daily turnover	56,616	

■ LME AM Official £/$ rate: 1.5368
LME Closing £/$ rate: 1.5386
Spot: 1.5383 3 mths: 1.5349 6 mths: 1.5312 9 mths: 1.5271

■ HIGH GRADE COPPER (COMEX): [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild): [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	403.4	-0.8	405.3	403.0	95	272
Apr	405.7	-0.8	407.5	404.7	34,437	119,441
Jun	408.5	-0.7	410.3	407.5	1,909	32,895

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.): [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.): [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.): [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel): [illegible]

■ CRUDE OIL IPE ($/barrel): [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls): [illegible]

■ GAS OIL IPE ($/tonne): [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu): [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls): [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	118.35	+0.35	119.00	118.50	162	887
May	120.70	+0.50	121.35	120.70	408	3,685
Jul	122.65	+0.50	123.25	122.70	58	533

■ WHEAT CBT (5,000bu min; cents/60lb bushel): [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel): [illegible]

■ BARLEY LCE (£ per tonne): [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel): [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb): [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton): [illegible]

■ POTATOES LCE (£/tonne): [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point): [illegible]

FUTURES DATA
All futures data supplied by CMS.

Wool
The main Australian market indicator was lower at opening sales this week, but afterwards held steady at 585 cents a kg, 6 cents lower than last weeks close. South African wool sold at unchanged or fractionally dearer prices this week. New Zealand was cheaper, the indicator there being 13 cents down at 484 cents, and withdrawals by farmers at their own reserves were high at 40%, contrasting with good clearances in other primary markets. the overall impression in the trade is that while new business in consumer markets are showing sufficient steadiness to raise hopes that a basis for the season has been reached, with some chances of a price recovery.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	920	+12	919	912	3,979	12,549
May	943	+11	944	935	5,404	21,073
Jul	965	+10	966	959	828	10,653

■ COCOA CSCE (10 tonnes; $/tonnes): [illegible]

■ COCOA (ICCO) (SDR's/tonne): [illegible]

■ COFFEE LCE ($/tonne): [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs): [illegible]

■ COFFEE (ICO) (US cents/pound): [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs): [illegible]

■ WHITE SUGAR LCE ($/tonne): [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs): [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs): [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs): [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100): [illegible]

■ CRB Futures (Base: 1967=100): [illegible]

■ GSCI Spot (Base: 1970=100): [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	63.625	+0.200	63.775	63.300	2,904	4,206
Apr	63.575	+0.125	63.700	63.175	10,456	36,337
Jun	61.700	-0.100	61.900	61.600	2,411	18,912

■ LIVE HOGS CME (40,000lbs; cents/lbs): [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs): [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME: [illegible]

■ COPPER (Grade A) LME: [illegible]

■ COFFEE LCE: [illegible]

■ COCOA LCE: [illegible]

■ BRENT CRUDE IPE: [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar): [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne): [illegible]

■ OTHER: [illegible]

JOTTER PAD

CROSSWORD

No.8,995 Set by ADAMANT

ACROSS
1 Plans to bring telephone system back for captive fliers (8)
4 Final computer unit (6)
9 Takes the meeting of the dailies about one (8)
10 Attempts to avoid the sons I've scattered around America (8)
12 Confirmed it would be taxed if I went in (8)
13 Gamekeeper makes good start, that is after misfortune (8)
15 Wool from animal's back (4)
16 Against finishing the retail operation (7)
20 Retirement age? (7)
21 Fashionable bird lacks range of knowledge (4)
25 Wandered around finding myself in the street (6)
26 One lantern flickering on the inside (8)
28 Whips round the nude shows (8)
29 A sounding board might cause confusion (6)
30 The way Goneril lost nothing in exchanging British currency (8)
31 Move forces to contain rogue Pole within boundaries of democracy (6)

DOWN
1 Teaching leading dissidents in England about October Revolution's origin (8)
2 A cricketer might riot over a killing place (8)
3 Charges of fair play in the paper's return (6)
5 Jealousy takes nothing out of the ambassador (4)
6 American state is working inside religious settlements (8)
7 Simpleton's food (8)
8 Told stories about stone in the catalogue (6)
11 Dine in mountain hotel down under (7)
14 Not even soldiers start testing something that's left over (7)
17 Using one's brain to put lines in the serial, it's said (8)
18 Pleased that load of fuel contained hydrogen (8)
19 Room for oarsman to gain a yard (8)
22 Uproar at French conciliation body (6)
23 Mob lose initial self control in game of words (6)
24 Be back in time for the discussion (6)
27 Knock out a second lot of wine (4)

Solution 8,994

INTERNATIONAL CAPITAL MARKETS

Gilts buck gloomy trend in European sector

By Martin Brice in London and Lisa Bransten in New York

Caution ruled in European government bond markets yesterday, with uncertainty over interest rates in Germany and politics in Italy casting a pall over trading. However, the bund future on Liffe jumped by 0.35 late in the afternoon.

Mr Mark van der Kroft at ABN Amro Hoare Govett said: "Uncertainty is hampering most markets in Europe because there is a growing perception that one way or the other the economy will rebound this year. Fund managers have lowered their duration in Europe in anticipation of a rebound of the economy."

He said investors had changed from being overweight Europe to neutral and said: "These decisions have been taken and will not be turned around easily."

■ UK bonds bucked the gloomy mood in Europe, helped by a retail price index figure in line with expectations of a 0.3 per cent fall in January to 2.9 per cent year-on year.

Mr Simon Briscoe at Nikko said: "The common theme of lower increases this January than last year is further evidence that the low inflation psychology is taking hold." The release of the Scott report into arms sales to Iraq was not seen as a market mover.

GOVERNMENT BONDS

The March future on Liffe rose $\frac{5}{32}$ to 108$\frac{13}{32}$ while in the cash market the yield on two-year paper fell 1 basis point and that on 10-year gilts rose a point. The spread over 10-year bunds tightened by 2 basis points to 165.

Mr David Bennett at Goldman Sachs said investors had been purchasing along the whole of the yield curve, with buyers outweighing sellers by about 3 to 1.

■ German government bonds slipped during the day but the March future on Liffe moved ahead towards the end of the day.

Mr van der Kroft said the decision by the Bundesbank to hold the repo rate at 3.3 per cent was expected, and a decision to cut could have led to yields at the long end rising.

"The Bundesbank is not going to give up the stable policy for the D-Mark, and this could be better for the long end of the market than most people anticipate," he said.

On Liffe the March 10-year bund future recovered its losses to settle flat at 98.63, after hitting resistance at 98.70.

The yield on two-year paper fell 1 basis point and that on 10-year paper by 2 basis points, with the spread between the two maturities settling at 233 basis points.

The yield spread of 10-year bunds over Treasuries tightened by 5 basis points to 41 points.

■ French bonds tracked bunds downwards and on Matif the March future settled down 0.34 at 121.38 while March Pibor slipped 0.07 to 95.36.

A raft of economic data is due next week, but Mr Dominique Barbet at Paribas Capital Markets in Paris said the recent rash of strikes in France would mean the figures would not be as reliable as usual.

The yield on one-year paper rose 5 basis points, while on 10-year bonds it rose 2 points. The spread over bunds rose 1 basis point to 42.

■ Italian bonds continued their sharp downward trend as investors fretted over the chance of early elections. The yield on two-year paper rose 29 basis points and that on 10-year bonds by 18 points. The spread over 10-year bunds widened by 16 points to 455 points while on Liffe the March future fell 0.95 to 109.08.

■ The spread of Swedish bonds over 10-year bunds rose 7 basis points to 271 points while Spanish yields bucked the high-yielders' trend, narrowing by 4 basis points over 10-year bunds to 350 points.

■ US Treasuries posted modest losses in early trading on the heels of several pieces of strong economic data.

The yield on the 30-year Treasury climbed above 6.1 per cent for the first time in a week. Near midday the long bond was down $\frac{11}{32}$ at 98$\frac{23}{32}$ to yield 6.112 per cent, while the two-year note was $\frac{1}{16}$ lower at 100$\frac{3}{32}$ to yield 4.826 per cent.

Economic data was mostly stronger than forecast. The Federal Reserve Bank of Philadelphia's index of business conditions was a positive 3.8 in February, up from a negative 16.6 in January and manufacturers orders rose by a stronger than expected 1.3 per cent in December led by a 38 per cent jump in aircraft orders.

Mr Joseph Liro of CIBC Wood Gundy expects production to pick up by the end of the quarter. But some analysts said the figures did not necessarily indicate that the trend toward economic slowing was over. Donaldson, Lufkin & Jenrette said the report continued to indicate weakness because, without the aircraft components, non-defence capital goods orders fell 0.4 per cent.

IDBI offers Rs5bn 'flexi-bond' issue

By Shiraz Sidhva in New Delhi

The Industrial Development Bank of India (IDBI), the country's largest financial institution, yesterday launched a Rs5bn public bonds issue, with an option to retain over-subscription up to another Rs5bn.

The issue, to open on February 26, will offer four types of bonds, each designed to meet the needs of different groups of investors.

The unsecured instruments, called "flexi-bonds", gives investors four options: deep discount bonds, with a maturity of 25 years an early redemption option; easy-exit bonds, with a three or five-year maturity, which allows for easy liquidity; the regular income bond, which offers interest every half-year; and the retirement bond, with monthly payments designed to suit individual retirement plans.

The IDBI says it is mainly targeting the retail investor, with whom bonds have not been traditionally popular because they do not provide for easy liquidity.

"The bonds guarantee good returns, and also easy and early exits for those who require liquidity," said Mr S.H. Khan, chairman and managing director of the IDBI.

In 1992, when the IDBI innovated the concept of deep discount bonds with the facility of withdrawal before maturity, 1.16m small investors responded.

The IDBI, the world's seventh-largest development bank, was set up by an Indian Act of Parliament 30 years ago. It was wholly owned by the government until last year, when it launched the biggest primary issue (worth Rs23.7bn) in the history of the Indian capital markets to reduce the government's stake to 71.85 per cent.

The bank sanctioned loans worth Rs198.33bn in 1994-95, and has disbursed cumulative loans worth over Rs1,200bn since it was established as a subsidiary of the Reserve Bank of India, the central bank, in 1964.

Argentina global more tightly priced than Mexican offering

By Conner Middelmann and Antonia Sharpe

Yesterday was a bumper day for emerging-market issuers, with the Republic of Argentina bringing its widely flagged $1bn global issue and Mexico's Nafin issuing a novel high-risk, high-return bond in South African rand.

Although Argentina's credit rating of B1/BB- is below Mexico's BB/Ba2 ranking, it obtained a tighter pricing for its five-year bonds, which yielded 410 basis points over Treasuries at the re-offer price. Mexico's recent $1bn five-year global issue trades at 440 basis points over Treasuries.

According to joint leads CS First Boston and Merrill Lynch, Argentina's spread tightened to around 408 basis points after the bonds were freed to trade. They reported strong institutional demand in North America, where some 70 per cent of the offering was placed. About 90 per cent of that went to investment-grade, non-emerging-market accounts, they said.

INTERNATIONAL BONDS

Nacional Financiera, the Mexican development bank, became the first emerging-market borrower to sell eurobonds in an emerging market currency. It issued R250m of three-year bonds with a 17 per cent coupon which attracted yield-hungry retail buyers in Europe and Latin American investors, said lead manager West Merchant Bank.

Some dealers described the combination of emerging-market credit and currency risk as "double trouble", suggesting investors would do better to hold recent issues by highly-rated borrowers in the Polish zloty market, which offer coupons of around 18.5 per cent.

But the lead manager argued that the euro-rand market and the underlying South African government bond market boast a longer track record and have already established a loyal clientele. Since its inception last October, the euro-rand sector has seen 25 issues totalling over R6bn.

Meanwhile, Brazil's OPP Petroquimica issued $125m of eight-year bonds priced at 637 basis points over Treasuries; the spread narrowed to 620 points on the back of strong demand from investors in Europe and the US, lead manager CS First Boston said.

Also in Brazil, Eletropaulo, São Paulo's state energy company, is preparing its eurobond debut, $420m of possibly five-year bonds.

Elsewhere, Morgan Stanley tapped demand for convertible bonds by issuing what it said was the first public synthetic convertible bond whose underlying shares were based on a European company.

It launched $60m of six-year convertibles with a 2.75 per cent coupon. Each holder of $1,000 of bonds has the right to exchange them for 1.59 shares in Daimler-Benz, the German car company. The conversion premium is 15 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Republic of Argentina	1bn	9.25#	99.866R	Feb 2001	0.75R	+410(5¼%-01)	CSFB/Merrill Lynch
Commerzbank O'seas Finance†	300	(a.)	99.60R	Mar 2000	0.125R	-	Commerzbank/Merrill Lynch
Commerzbank O'seas Finance(f)	200	5.125	99.407R	Mar 2000	0.225R	+17(f)	Commerzbank/Merrill Lynch
DSL Finance	200	5.25	99.50R	Mar 2001	0.25R	+12(5¼%-01)	ABN-Amro Hoare Govett
Bank of Melbourne†	200	(b)	99.90R	Mar 1999	0.15R	-	SBC Warburg
OPP Petroquimica(c,‡)	125	11.50#	99.74R	Feb 2004	1.25R	+637(5%-99)	CS First Boston
YEN							
Hankyu Dept Stores Europe‡	10bn	2.55	100.00	Mar 2001	0.35	-	Sanwa International
SWISS FRANCS							
Norddeutsche Landesbank‡§	125	3.00	101.30	Dec 1998	1.50	-	UBS
FRENCH FRANCS							
DePfa Finance	2bn	5.50	98.227R	Mar 2001	0.275R	+20(5¼%-01)	UBS France
AUSTRALIAN DOLLARS							
SBAB§	100	6.60#	100.00	Apr 1998	1.10	-	New Japan Secs Europe
CANADIAN DOLLARS							
LB Schleswig-Holstein§	100	5.625	98.59R	Dec 1999	0.20R	-3(7¾%-99)	Toronto Dominion Bank
PESETAS							
Council of Europe	15bn	8.975	101.575	Mar 2001	1.625	-	Argentaria/BSN
SOUTH AFRICAN RAND							
Nacional Financiera(Gd Cayman)	250	17.00	99.875R	Feb 1999	0.625R	-	West Merchant Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. § Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor -12½bp. b) 3-mth Libor +12½bp. c) Putable on 23/2/99 at 99% and 23/2/01 at 99.13%. Cleanup call provisions. f) Over interpolated yield. (f) Long 1st coupon. (t) Short 1st coupon.

Argentaria debt rating downgraded by S&P

By Antonia Sharpe

Standard & Poor's, the credit rating agency, has lowered the senior debt rating of Argentaria, the Spanish banking group, to A plus from double-A minus to reflect the possibility that the group will be fully privatised in the medium term.

The Spanish government is set to sell about 25 per cent of Argentaria soon after the general election next month, leaving it with a 25 per cent stake.

S&P said the new ratings reflected the stand-alone commercial and financial strength of the group and did not factor in any additional potential support from the state. A further factor in this downgrade was the decline in Argentaria's banking margins, which is part of a sectoral trend affecting all Spanish banks.

Morgan Stanley is the global co-ordinator of the $1.3bn offer of shares in Argentaria and will also lead the US tranche.

Banco Santander and SBC Warburg will lead the UK tranche and BBV and UBS the continental European tranche. HSBC has wrested the rest of the world tranche lead away from Merrill Lynch, which has held this position in previous Argentaria offerings. The other RoW tranche lead is BCH.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	112.8520	-0.740	8.09	8.09	8.14
Austria		6.125	02/06	97.8100	-0.230	6.43	6.75	6.31
Belgium		7.000	05/06	102.4100	-0.390	6.66	6.54	6.62
Canada *		8.750	12/05	111.8500	-0.460	7.05	7.07	7.10
Denmark		8.000	03/06	104.6000	-0.300	7.34	7.27	7.15
France	BTAN	7.000	10/00	105.7500	+0.250	5.55	5.52	5.77
	OAT	7.250	03/06	104.9800	+0.080	6.56	6.55	6.64
Germany Bund		6.000	01/06	98.9600	+0.040	6.14	6.10	5.99
Ireland		8.000	08/06	103.0500	-0.150	7.56	7.44	7.46
Italy		10.500	09/05	100.2000	-1.500	10.47†	10.00	10.40
Japan	No 129	6.400	03/00	116.6960	-0.340	1.97	1.82	1.80
	No 174	4.600	09/04	110.5360	-0.530	3.05	2.95	3.02
Netherlands		6.000	01/06	98.6400	-0.100	6.19	6.12	5.97
Portugal		11.875	02/05	114.0200	-0.080	9.49	9.48	9.67
Spain		10.150	01/06	101.9200	-0.950	9.65	9.78	9.60
Sweden		6.000	02/05	82.7930	-0.370	8.86	8.85	8.34
UK Gilts		8.000	12/00	104-10	+3/32	6.92	6.91	6.93
		7.500	12/06	98-23	+3/32	7.67	7.64	7.49
		9.000	10/08	108-29	-1/32	7.87	7.79	7.65
US Treasury *		5.625	02/06	99-27	-11/32	5.65	5.68	5.68
		6.000	02/26	96-18	-24/32	6.10	6.17	6.04
ECU (French Govt)		7.500	04/05	103.4100	-0.280	6.98	6.95	6.89

London closing. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	4.77	Two year	4.85
Prime rate	8¼	Two month	4.65	Three year	4.94
Broker loan rate	7	Three month	4.93	Five year	5.20
Fed.funds	5$\frac{7}{16}$	Six month	4.88	10-year	5.67
Fed.funds at intervention	-	One year	4.82	30-year	6.13

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	121.34	121.38	-0.34	121.44	121.28	80,845	140,341
Jun	121.50	121.54	-0.32	121.80	121.48	2,588	20,778
Sep	120.30	120.34	-0.32	120.30	120.30	2	2,151

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
120	-	-	-	-	-	-
121	-	-	-	-	-	-
122	-	-	-	-	-	-
123	-	-	-	-	-	-
124	-	-	-	-	-	-

Est. vol. total, Calls 13,007 Puts 13,869. Previous day's open int., Calls 200,889 Puts 203,709.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.29	98.62	-	98.72	98.27	183764	230054
Jun	97.48	97.74	-	97.80	97.40	8895	23322

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9850	0.38	0.36	0.58	0.76	0.26	1.12	1.34	1.52
9900	0.14	0.22	0.41	0.57	0.52	1.48	1.67	1.83
9950	0.04	0.12	0.28	0.41	0.92	1.88	2.04	2.17

Est. vol. total, Calls 17988 Puts 21219. Previous day's open int., Calls 317430 Puts 243878

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.50	109.26	-0.77	109.55	108.87	79159	59396
Jun	108.80	108.87	-0.71	109.00	108.58	1690	7505

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10900	0.75	2.24	0.49	2.37
10950	0.50	2.01	0.74	2.64
11000	0.30	1.78	1.04	2.91

Est. vol. total, Calls 8117 Puts 11997. Previous day's open int., Calls 94725 Puts 91698

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.40	96.05	+0.17	96.19	95.05	74,976	49,862
Jun	-	95.83	-	-	-	262	1,289

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108-19	108-30	+0-03	109-02	108-18	58137	132683
Jun	108-04	108-07	+0-03	108-09	108-04	55	3901

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
108	1-05	1-08	1-35	1-55	0-09	0-58	1-21	1-41
109	0-24	0-41	1-04	1-24	0-28	1-27	1-54	2-10
110	0-08	0-21	0-45	0-63	1-10	2-07	2-31	2-49

Est. vol. total, Calls 3770 Puts 3408. Previous day's open int., Calls 47492 Puts 35061

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.34	90.44	-0.34	90.48	90.34	1,154	8,386

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	120-05	119-20	-0-19	120-08	119-18	275,403	339,970
Jun	119-24	119-05	-0-18	119-24	119-03	18,485	52,091
Sep	-	119-05	-	-	-	198	6,516

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.35	-	-	119.51	119.30	4869	0
Jun	117.93	-	-	117.98	117.79	2802	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Feb 15	Day's change %	Wed Feb 14	Accrued interest	xd adj. ytd		Low coupon yield Feb 15	Feb 14	Yr. ago	Medium coupon yield Feb 15	Feb 14	Yr. ago	High coupon yield Feb 15	Feb 14	Yr. ago
1 Up to 5 years (22)	123.39	+0.04	123.34	2.55	0.77	5 yrs	7.01	7.03	8.55	7.06	7.07	8.60	7.14	7.15	8.75
2 5-15 years (21)	149.56	-	149.86	3.06	0.32	15 yrs	7.92	7.91	8.50	7.95	7.93	8.61	8.05	8.03	8.82
3 Over 15 years (8)	162.57	-0.18	164.27	1.81	2.41	20 yrs	8.03	8.02	8.46	8.04	8.01	8.61	8.14	8.11	8.73
4 Irredeemables (6)	187.31	-0.38	188.02	3.08	0.00	Irred.†	8.12	8.09	8.50						
5 All stocks (57)	144.06	-0.02	144.46	2.71	0.84										

Index-linked							Inflation 5% Feb 15	Feb 14	Yr. ago	Inflation 10% Feb 15	Feb 14	Yr. ago
6 Up to 5 years (1)	197.89	+0.01	197.86	2.72	0.00	Up to 5 yrs	2.36	2.70	3.68	1.01	1.53	2.28
7 Over 5 years (11)	186.87	-0.13	187.12	0.84	0.63	Over 5 yrs	3.61	3.66	3.88	3.40	3.47	3.68
8 All stocks (12)	186.99	-0.13	187.23	0.89	0.62							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 15	Feb 14	Feb 13	Feb 12	Feb 9	Yr ago	High*	Low*
Govt. Secs. (UK)	94.32	94.33	94.66	94.59	94.48	91.10	96.34	90.22
Fixed Interest	112.72	113.06	113.05	112.80	112.88	109.82	115.23	108.77

*for 1995/96. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8
Gilt Edged bargains	102.6	96.4	106.5	98.1	98.9
5-day average	100.5	97.6	97.7	99.7	98.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 15

	Issued	Bid	Offer	Chg.	Yield
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
[illegible]						

Other Fixed Interest

EUROPEAN STOCK EXCHANGES

New rules, new rivals, new order

The Investment Services Directive, effective from last month, attempts to create a single European financial market. But, says John Gapper, it is not the only agent forcing change

For most of this century, European stock exchanges have stood as emblems both of national pride and restrictive practices. The market-makers of the London Stock Exchange and the hoekmen of Amsterdam have been symbols of a world that seemed unwilling to abandon esoteric traditions.

But few can now expect conservatism to survive. The implementation of the Investment Services Directive from the start of this year is but one sign of a revolution gathering pace in Europe. The forces of technology, regulation and competition are combining to break down barriers among exchanges and liberalise national markets.

Long-established traditions of equity trading are being questioned at many of the big European exchanges. Most exchanges are now casting nervous glances at their counterparts, wondering if they will encroach on their territory and compete directly with them.

Many of the smaller operators who have traditionally maintained a role in equity trading and broking are also becoming anxious. Both regional exchanges and small brokers are wondering whether they will be swept aside in a wave of consolidation as the weak go to the wall.

For now, the chance of a single European stock exchange, as envisaged in the European Commission's 1985 white paper on the single market, still seems remote. Few participants, however, believe that the stock brokers and traders who own most European exchanges will be able to resist challenges to the old order.

There are several forces for change:

- EU legislation increasingly means it is difficult for governments and stock exchanges to prevent competition from across their borders. Investment firms regulated in their own country can not only gain a "passport" to operate in others but also trade on overseas exchanges using remote access.

Although the Investment Services Directive (ISD) has got off to a slow start – only seven of the EU's 15 members were ready to implement it in full in January – the Amsterdam, Frankfurt and Paris exchanges have already laid out plans to use remote membership to improve domestic trading.

- Technology is making it easier to bring together trading participants, offering efficient execution of share transactions at low cost. The London Stock Exchange is planning share trading reforms to coincide with the introduction of its Sequence VI trading platform in August.

National exchanges, now given the means to push into other markets, are not the only beneficiaries. Technology is also helping new providers such as Tradepoint, a UK exchange that gives institutional investors as well as brokers the chance to place buy and sell orders, to compete with established exchanges.

- Competitive forces are intensifying the pressure for more cost-effective trading. Traditionally, market-makers have provided liquidity on the London exchange in return for privileges. They have posted constant two-way prices in all shares, making money from the bid-offer spread.

But the shift of power within the industry away from stockbrokers and traders, and towards institutional investors, is exerting pressure on narrow broking margins. Investors are less likely to accept high levels of commission and broad bid-offer spreads to subsidise inefficiencies.

Mr Benn Steill, head of international economics at the Royal Institute of International Affairs, says that it is competitive forces, rather than legislative efforts from Brussels, that have given impetus to de-regulation. He argues that the ISD contains "escape clauses" that dilute its impact.

Mr Steill says that the original text of the ISD was liberal in intent, but was watered down by EU governments during talks in the Council of Ministers. He predicts that loopholes in the definition of a regulated market may allow countries such as Italy to exclude new exchanges such as Tradepoint.

He places more faith in European Monetary Union – despite the current doubts about whether it is achievable this century – as a means of allowing the amalgamation of exchanges. If currency anomalies are eliminated, Mr Steill says exchanges will be seen more clearly as interchangeable technology platforms.

But that day remains distant. For the rest of the century, stock exchanges are likely to compete more. There are already clear signs that continental exchanges are trying to wrest back from London the power it won in the trading of international shares.

The Paris bourse has just disclosed plans for aggressive moves to offer institutional investors in London the ability to trade French equities. It is planning a telecoms "hub", allowing information to be transmitted between London and Paris, and transactions to be done remotely.

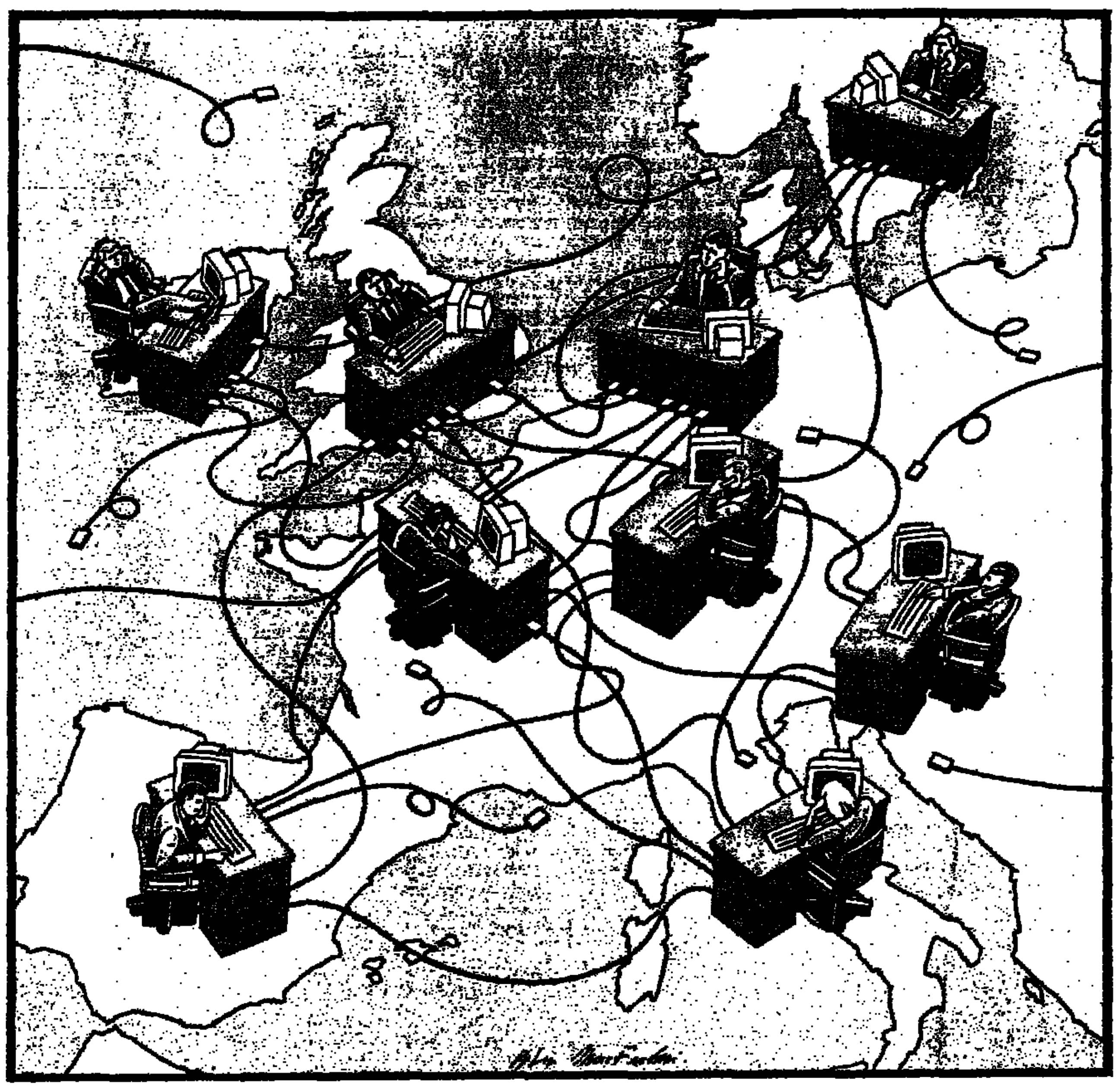
The Paris move is not unique. The Amsterdam exchange is in talks with eight investment banks that may hire terminals to carry out remote trading of Dutch shares, while the Deutsche Börse is setting up communication points in London and Zurich to connect users to Ibis, an electronic trading system.

These developments are aimed at capitalising on an already established trend away from Seaq International. Launched in 1988, Seaq is the electronic share trading system that initially allowed London to capture a significant share of equity trading in what were then less liquid national markets. The system became a less efficient trading method in the early 1990s, with bid-offer spreads widening as the market-makers compensated for declining business. At the same time, continental exchanges implemented reforms to make themselves more attractive to investors.

Mr Giles Vardey, director of market development for the London Stock Exchange, now argues that London never saw itself as a long-term alternative to national markets. "If London investors can get large trades executed in Paris effectively, that must be a good thing," he says.

Nonetheless, competition has come at an awkward time for London. The dismissal last month of Mr Michael Lawrence, chief executive of the exchange, brought to the surface simmering tensions over market-making reform plans.

Both London and Amsterdam are facing the issue of how to carve out a new role for market-makers once the fundamental method of trading in small blocks switches to an order-driven mechanism. This involves encouraging risk-takers to commit capital to trading large blocks for investors.



The Amsterdam hoekmen have taken on the role of the stock specialists on the New York Stock Exchange, who trade single stocks. But the future of market-makers in London is to be determined in the next two months, by which time the exchange will have consulted its 350 members on the system they want.

A key reason for stock exchanges to move towards the more transparent order-driven method for trading small blocks is the demand from derivative exchanges for clear prices. These allow exchanges such as the Deutsche Terminbörse (DTB) to fix accurate prices for traded futures and options.

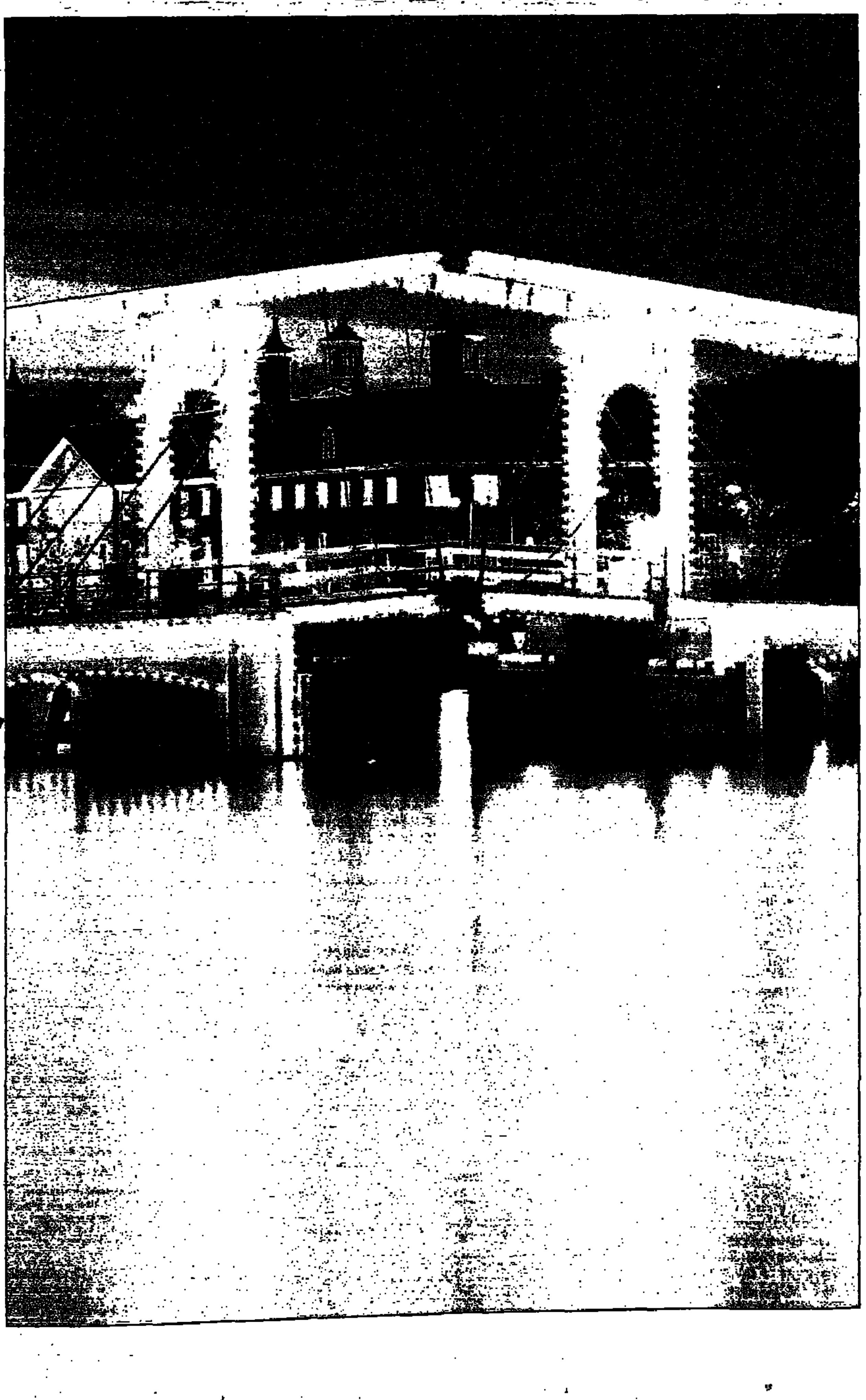
Derivatives exchanges are already forming closer links, epitomised by a co-operation agreement between the DTB and Matif, the French futures exchange. In the long term, there could be integration of derivative and stock exchanges: electronic trading platforms dominate both.

But if high-cost methods of trading are eliminated from the system, it is not yet clear who will benefit. In theory, investors should gain from being able to trade small blocks of shares in a more cost-effective manner across national borders.

If so, the most immediate benefits are likely to be felt by institutional investors such as pension funds. Retail investors who put money into investment trusts are unlikely to see a significant expansion in the range of products, and must rely on fund managers to pass on any cost savings.

What is clear is that not every exchange will survive the new world of liberalised trading. Large exchanges based in the capital cities such as London and Paris can be confident, but regional exchanges are more at risk. In particular, few expect all eight German stock exchanges to prosper.

After so many years during which tradition ruled Europe's stock exchanges, technology and de-regulation are now forcing them through rapid changes. As competition breaks out in earnest, the future is uncertain, but Europe's stock exchanges no longer have the option of simply staying the same.



■ London: by John Gapper

Crisis at liquidity leader

The next two months could decide London's future as Europe's dominant centre

For most of the 1900s, London has hardly faced a challenge to its position as the pre-eminent financial market of Europe. But, as the century draws to a close, it seems under threat from virtually every direction. It can no longer guarantee its ability to dominate other European stock exchanges and financial centres.

London's modern pre-eminence as a financial centre rests on two pillars. One is the role it played in the formation of the Eurobond market in the 1960s; the other is the liquidity and maturity of equity trading in the UK.

The former reinforced its historic status as a leading international financial centre. As trading became more global, London went on to cement its place as the main trading place in the European time zone for foreign currency. The latter was demonstrated by Deutsche Bank's decision in 1994 to base investment banking operations in London.

At times it has seemed that not even disaster can tarnish its image. On the face of it, the collapse of Barings, the merchant bank, last February seemed likely to undermine confidence in London: it suggested lax management at a respected UK institution and inadequate supervision. Yet perversely, the debacle helped to stimulate a new influx of capital. ING, the Dutch bank, bought Barings and, later, both Kleinwort Benson and S.G. Warburg fell prey to foreign banks seeking to expand in London.

London's supporters say it benefits from several qualities. "London has open markets, liquidity and trading skills, and provides a good lifestyle for people living here," says Lord Alexander, chairman of National Westminster Bank.

Mr Giles Vardey, director of markets development for the London Stock Exchange, says it has "a risk-taking culture", based on the buying and selling of equities that other European centres have difficulty matching.

Yet 1996 has opened on a doubtful note. There has been an upheaval at the exchange as its members struggle painfully to agree a new method of trading shares. At the same time, there is more effective competition from overseas.

Since the early 1990s, when securities houses started to switch to direct trading on local exchanges, London's Seaq International electronic bulletin board has been in decline as a method of trading continental European equities.

But a more severe problem has been that of agreeing a new method of share trading. The current market-making system, which is based on investment banks providing constant two-way prices in shares, is seen as outmoded. Alternatives, however, have been a long time coming; the debate intense. The way Mr Michael Lawrence, the former chief executive of the exchange, handled this issue was a significant factor in his abrupt dismissal last month. Mr Lawrence's departure and that of his predecessor Mr Peter Rawlins, who resigned after the failure to implement a new share settlement system, have raised important questions about the governance of the exchange and London markets.

The apparent crisis over trading reform has coincided with the Investment Services Directive, which allows European exchanges to place trading screens in other national centres. The question now must be the extent to which London's continental counterparts will capitalise on its weakness.

The exchange argues that the disruption is temporary, and London could end up gaining if investment banks that operate from the UK are able to trade directly and cheaply on other exchanges.

Mr Vardey says that, as other exchanges become more efficient, the decline of Seaq International as a means of trading continental equities is inevitable. "Our ambitions are fairly modest. We do not want to run the world," he says.

He points out that 55 banks and investment banks still act as market-makers on Seaq International, arguing that it was essential in its early days to provide extra trading activity for equity markets that were restrictive and illiquid.

The most vital debate for London is the one that is taking place in the next two months over a new share trading method. With or without Mr Michael Lawrence at the helm, reforms must take place. The outcome of the debate could decide whether London can retain its historic position in Europe.

In practice, the market-making firms that have historically dominated the exchange now appear ready to concede a shift to order-driven trading as the basic method of buying and selling small blocks of shares in the London market.

This would bring London into line with the Frankfurt and Paris bourses. But the crucial question will be how order-driven screens on the exchange's new Sequence trading platform sit with a method for trading large blocks of shares.

Some institutional investors favour a "hybrid" system under which all of the exchange's member firms would trade either by placing their buy-and-sell orders directly on screens, or by accepting quotes from market-makers on these screens.

However, market-makers prefer an "upstairs" system similar to the New York Stock Exchange, under which brokers take on large blocks of shares from investing institutions and accept the risk of selling them in the market.

What seems like an arcane debate could have huge effects on London's position if the new method fails to ensure investor liquidity. This accounts for some nervousness among investors that in theory favour radical reforms.

The delicacy of the issue is increased by the fact that London faces other challenges in the next few years. One is the possibility of European Monetary Union excluding the UK, which could benefit Frankfurt as a financial centre.

Lord Alexander says that if the UK remains outside Emu, the natural centre of the Eurobond market could shift to Germany. "If the City is good for the UK, then its interests must be weighed in the debate about monetary union," he says.

It is already clear that London's role as a trading centre will face constant pressures in the next few years. The British pre-eminence in risk-taking will be subject to serious challengers across Europe.

Michael Lawrence: his dismissal raised serious questions

■ Paris: by Andrew Jack

The French revolution

Despite domestic problems, France has been at the forefront of cross-border trade

While many European stock markets have been bracing themselves for the potential changes brought about by the introduction of EU-inspired financial services deregulation, Paris has, to some extent, been secure in the knowledge it is well ahead in the game.

Substantial reform over the past few years of the country's financial markets means that the Société des Bourses Françaises (SBF), the operator of the French market, had little to do in the run up to the launch of the European Investment Services Directive at the start of this year.

The delay in passing enabling legislation for the directive in the French parliament has been relatively unrelated to the stock market. The draft law has been held up largely by modifications to the way members of the governing council of the Commission des Opérations de Bourse, the markets watchdog, are selected.

The modifications are being pushed through by Mr Jean Arthuis, the minister of finance and economics. Mr Arthuis was formerly a member of the finance commission of the French senate, which last year called for a new process for selecting council members.

Delays to the implementation of legislation seem to be having little effect on the pace of change in France. Unofficially, a number of London-based traders are already tapping into the French bourse directly, by calling their colleagues in Paris and asking them to conduct transactions. Similar deals take place through Frankfurt, Geneva and Brussels.

Much more significant, of course, is the fact that the bourse is on the point of opening a telecommunications hub in the UK. It will offer direct access points to financial institutions and enable them to trade through the Paris bourse in real time – a process that it says will be far more convenient and cheap than passing through the London stock exchange's Seaq international trading system.

"What is Seaq International?" jokes Mr Jean-François Théodore, chairman of the SBF. "It used to be very powerful. Now it is a ghost."

In moving its attention across the Channel, the bourse is following the Matif, the French financial futures market, which early last year obtained authorisation from the British Treasury to begin offering its trading screens in the UK.

Such infrastructure changes come on top of a growing policy of marketing – both within and beyond the EU – to encourage institutions and other investors to buy French equities and derivative products.

While London is their initial target, stock market officials are also eyeing the other leading European centres. In the longer-term, they are considering the possibility of using satellite links to speed up communications and transactions right across the continent.

One of the most ambitious plans is a proposed alliance with Germany. In a complicated deal, the French bourse would sell to Frankfurt a version of its computerised share trading system, and the Matif, already the recipient of three German screen-based derivatives products, would, for the first time, offer two of its electronic systems. The German stock exchange authorities are expected to announce their decision during March.

The SBF has already invested substantially in changing its computerised trading systems, both for domestic consumption and for sale elsewhere, with deals already completed on foreign stock markets such as Toronto.

"The battle is for non-French stocks," says Mr Théodore, whose exchange is developing clearing systems that will handle any European currency. A system dubbed "Euro-CAC" is already used for buying and selling non-French shares.

> The SBF had little to do in the run-up to the ISD launch

An important development both domestically and internationally is the "nouveau marché", a stock market to be launched by the French this month and specifically targeted at new, fast-growing companies – many in the high technology and computer sectors.

The French government recently announced tax deductions for investors on the new market. These come on top of the abolition of stamp duty on transactions made by foreign investors on the main market. (Some charges still apply to French taxpayers.) The international ambitions of the French bourse are already apparent in the new market. There are discussions about combining the operations of the "nouveau marché" with a similar one in Brussels. More generally, officials are holding meetings and promoting the idea of the market to non-French companies.

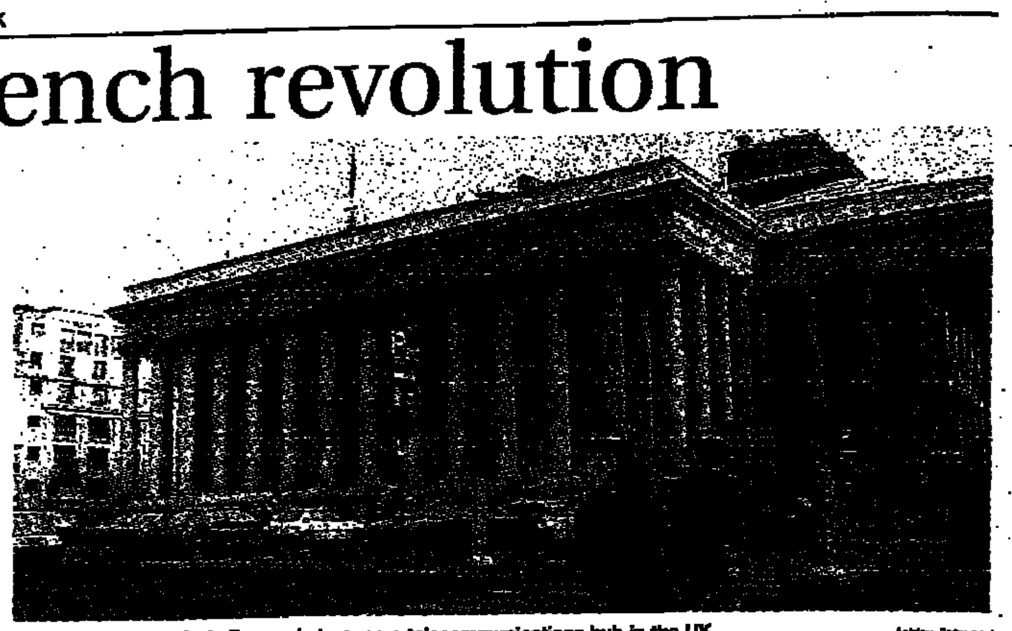
One reason for such interest in other countries is the fact that the French stock market is already very international, partly because of the lack of substantial domestic investors such as pension funds. Half of all turnover and one-third of investors last year were foreign, and non-French investors – in large part, the big US pension funds – have been net buyers for several years.

While trading in non-French shares and the sale of the bourse's systems in other countries is an important preoccupation, it is not the whole story. The French cannot forget the fact that the domestic market remains the most significant – and troublesome – issue they will face over the next few years.

French equities have substantially under-performed most of their European counterparts in the past two years, and until recently there has been little sign of the trend reversing. Nevertheless, at the start of February, the key CAC-40 index of the top 40 quoted companies broke the 2,000 mark, placing it at the highest level since May last year.

Mr Théodore argues that the conditions for corporate recovery are now in place, and they are helped by changes in at least two important structural factors affecting the French market.

First, he says is the fact that the market regulators have been baring their teeth recently to improve discipline and rigour. Second, companies are beginning to follow the recommendations of the Viénot report on corporate governance, establishing audit and remuneration committees, improving shareholder communication and appointing more independent directors. These measures should help increase investor confidence.



Crossing over: the Paris Bourse is to open a telecommunications hub in the UK

Ashley Ashwood

■ Frankfurt: by Andrew Fisher

'The market that comes to you'

Deutsche Börse is working towards greater integration both at home and abroad

Share prices have hit new records this year on the Frankfurt stock exchange – the world's fourth largest and Europe's number two behind London – but the attention of its managers has been focused more on the opportunities opening up across Europe than on daily trading performance.

One of the biggest agents for change is the European investment directive, which came into effect on January 1. It allows non-bank investment groups to carry out activities more easily across borders, with a "passport" system that lets institutions regulated in one European Union country operate in others.

For the German exchange, this offers the chance of extending its links with other exchanges. Deutsche Börse AG, which runs the Frankfurt exchange and Deutsche Terminbörse (DTB), the futures and options exchange, is setting up communications access points in London this month and later in Zurich. These will connect users to Ibis, the electronic share trading system for big institutional investors, and the DTB.

"Now that the EU is extending the legal possibilities for dealing on the German stock market, Deutsche Börse must create the right technical and administrative conditions," says Mr Jörg Franke, a director of Deutsche Börse and the man who built up the DTB. The exchange regards the directive – still to be ratified by the Bonn parliament – as a golden opportunity: foreign dealers can easily be hooked up to Ibis and the DTB, which has used electronic systems since its launch in 1990.

Since the DTB co-operates with Matif, the French futures exchange, Paris already has an access point. The German and French exchanges are also working to create a "double platform", a common computerised network for trading equities, bond market products and derivatives. Traders will be able to deal in both countries' products on one screen.

Beyond this, the two markets hope to develop common settlement and clearing systems. Still outstanding, however, is a final agreement on technology. Deutsche Börse has until the end of March to decide whether to use the new quotation system (NSC) developed by the French. If adopted, NSC would be used for the cash markets – eventually succeeding the Frankfurt exchange's combination of Ibis and floor trading – and the DTB system for derivatives.

Other market participants are linked to Germany by individual lines to Frankfurt. The new access points will thus cut communications costs and simplify access to Ibis and the DTB. Deutsche Börse will end the one-off connection fee of DM25,000 for DTB participation. Users of the collective connections outside Germany will pay uniform monthly communications fees of DM4,500 per line to the DTB and Ibis mainframe computers. Deutsche Börse will assume the costs of switching from individual to collective connections.

> Foreign dealers can easily be hooked up to both Ibis and the DTB, which has been fully electronic since it began in 1990

For those located away from one of the access points, or wanting individual connections, monthly fees will be DM6,500 per line. This rule will cover Belgium, Denmark, the UK, Liechtenstein, Luxembourg, the Netherlands, Austria and Switzerland. From other EU countries and Norway, monthly connection fees will be DM9,000.

Deutsche Börse says investors have welcomed its decision to set up the new access points and is marketing itself as "the stock exchange that comes to you". But as well as striving to build up its external links, the Frankfurt exchange, which accounts for 75 per cent of German trading in equities and bonds, has been working hard to upgrade its trading technology, improve service and integrate the country's eight bourses more.

Its strategy is three-pronged:

- To make all dealings, price-setting and settlement activities electronic under its Zeus programme. This would be revolutionary for the German market, ending the traditional system of floor trading and the role of the official price-setting brokers. It would greatly extend Ibis, which accounts for nearly 40 per cent of trading in the top 30 Dax stocks.
- To forge co-operation and mergers between the leading bourses. In December, the Frankfurt, Düsseldorf and Munich exchanges agreed a pact with Berlin. Under the plan, welcomed by banks and foreign investors, they will all quote the same price for leading shares. Although Stuttgart, Hanover, Hamburg and Bremen still remain outside, the deal marks a significant change for Germany.

"Doing something about the fragmentation of the German market was long overdue," says Mr Rolf Breuer, chairman of Deutsche Börse's supervisory board and a director of Deutsche Bank. "It was necessary to achieve the main aims of the co-operation deal – uniform price formation and lower operating costs – as rapidly as possible."

- To define its products more sharply. Mr Werner Seifert, Deutsche Börse's chief executive, has set out a policy of dividing its activities into clear categories: benchmark products (Dax blue chips and main bonds and futures products); domestic products (small- and medium-sized issues, of interest mainly to domestic investors, and other bonds and fixed-interest paper); and operation-based services (administration, settlement and other back office functions).

One result of this differentiation was the launch in January of the MDax index of 70 medium-sized stocks. Mr Reto Francioni, the Deutsche Börse director in charge of domestic products, thinks the MDax will be an important instrument for marketing German shares. "We need the index as a benchmark for investments in mid-cap shares," he says.

This new index includes such varied mid-cap stocks as Escada (fashion), Porsche (luxury sports cars), Wella (hair care) and Gehe (the fast-growing pharmaceutical wholesaler). Many fund managers are expected to track this index, thus giving a lift to trading in its component stocks, all of which are now on Ibis.

Accompanying Frankfurt's efforts to be at the technological and trading forefront have been much-needed legal changes. A tough new watchdog began operating last year and, much to the satisfaction of foreign investors, insider trading is now outlawed. In addition, companies now have to disclose market-moving news and key shareholdings.

More changes are imminent, but whether they will satisfy all the banks and investors – some of whom want the Bundesbank and the government to act more convincingly to promote German financial markets – is a moot point. A vital test will come late this year with the issue of some DM15bn worth of shares in the state-owned Deutsche Telekom. Last year saw a welcome flow of new issues after a lacklustre 1994, but Telekom will dwarf these. If successful, the flotation could unleash a new wave of interest in equities among risk-shy German investors.

RECRUITMENT

JOBS: The proliferation of human resource surveys is getting out of hand

Pushing the point with research

Hardly a day goes by without a survey about some aspect of human resources landing on the desk. It may have something to do with familiarity breeding contempt, but these surveys seem to be becoming repetitious and many do little more than state the obvious.

One report came in last week trumpeting the less than astounding discovery that most chief executives who lost their jobs did so because their performance was poor. Its release was timed to ride on the back of the announcement by British Gas that its chief executive Cedric Brown was retiring, although, as those who released the report admitted, there was no suggestion that Brown was leaving because he wasn't up to the job.

Many of these surveys are inspired by a desire to promote a particular company or aspect of an industry. They seem to be most prolific where the area under scrutiny is difficult to measure or quantify. All surveys, and attitude surveys in particular, are food and drink to public relations specialists. Their aim is to get a client's name in print as cheaply as possible.

Perhaps it is churlish to carp but these surveys are coming over the parapet in a continuous barrage. They are followed by a series of supporting telephone calls, softening up the target journalist, asking when the material will be used or whether it is of any interest.

Most of the reports say something and we all need information. It is simply that what some of them have to say is not worth the candle. In many cases they are no more than advertising in another name.

Bob Snell, managing director of Executives on Assignment, an agency which supplies temporary executives, was frank enough to admit the promotional value of surveys. He had just delivered one that looked at how companies fill gaps after getting rid of a particular job.

The survey, from a mail shot of 16,000 companies on the agency's database, produced 288 replies. Two incentives were offered: a free copy of the final report for everyone who took part and a bottle of champagne for each of the first 12 replies.

Snell said that the biggest companies sent back a standard letter saying they had a policy of not completing such surveys because they were too time-consuming.

He said that the survey was not only used to gain knowledge, but also to establish recognition of the company name among potential customers. "Frankly I was surprised by the response," he said.

What was not surprising was the way that the report highlighted the benefits of using temporary executives. In some ways this is no bad thing because the interim management industry is comparatively young and has the task of selling its virtues.

Some reports involve a worthy topic but need to be more thorough. One piece of research that appeared the other day, from Select Appointments, an international staffing services group, looked at the impact of the Social Chapter in Europe on temporary staffing. It suggested that one reason Spain was a big user of temporary employees was to evade the constraints of the Social Chapter.

It quoted a Spanish director saying that short-term contracts were desirable for Spanish employers because it made it easier to get rid of people before the constraints of the Social Chapter began to bite.

Temporary employment in France, which also recognises the Social Chapter, was much lower. The report pointed to the rigorous use of work inspectors in France who check that companies are not using temporary employment as a way of avoiding the Social Chapter.

Its conclusion was that if Europe is going to have such things as the Social Chapter, it had better make sure they are properly policed. The company says it plans to do more work on the subject.

In another piece of research, Personnel Today magazine commissioned a survey which showed how UK employers were becoming increasingly attracted to flexible working because it reduced the need for overtime and temporary employees.

Human resource executives said they thought that flexible working – mainly involving part-time working – was good for management and good for employees.

But not everything is rosy for part-time workers, according to yet another report, this time from Roffey Park Management Institute, which reminds us that part-time workers now make up about 30 per cent of the UK workforce.

The Roffey Park report concludes that part-timers need to have approachable, supportive managers who are sensitive to their needs. They need encouragement and opportunities to develop their skills – and they need to be told what is going on.

Could this not apply equally to full-time employees? Are managers so blinkered they need to be told this sort of thing? It seems, from this research, that they must be.

● Finally, there are reports with hard data, such as the quarterly survey from Day Associates which covers pay awards among the international banks and investment houses and from which we have produced the above table.

Joe Clark, who produces the report, says it is too early to be sure of trends in bonus levels based on the 1995 results but he thinks they may turn out to be similar to those last year.

Early indications are that settlements on base pay may be slightly higher than the 4 per cent forecast in November.

The report covers 336 jobs in 142 participating banks and finance houses.

Since the last report, Day has merged its salary survey business with Monks Partnership.

Copies of the report can be obtained from Joe Clark c/o Monks Partnership, The Mill House, Wendens Ambo, Saffron Walden, Essex CB11 4JX. Telephone 01799 542222. Fax 01799 541805. Price: £270 (£140 for participants).

Richard Donkin

SALARIES, BONUSES AND CAR ALLOWANCES IN CITY OF LONDON FINANCE

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Average bonus %	Car provision % with	Car or allowance £ value	£ year
Corporate finance head	100,000	112,500	156,000	127,747	60.2	100	24,770	8,218
Capital markets head	128,800	142,500	165,500	145,600	50.4	100	26,000	9,164
Bond sales head	90,000	97,375	105,000	98,343	36.8	100	20,039	7,912
Fund m'ment director	110,000	133,948	147,000	130,463	46.0	86	29,125	9,340
Eurobond trading head	105,000	127,500	150,000	127,668	25.1	92	21,365	8,169
Equity trading head	86,500	100,000	143,750	112,100	66.6	100	19,250	8,222
Private banking head	74,301	95,286	110,000	94,660	28.9	88	19,806	7,823
Head of research	70,833	115,000	135,000	105,333	46.3	86	20,000	6,806
Financial director	66,700	80,715	90,000	86,056	19.9	86	22,163	7,354
Chief fx dealer	62,502	82,875	95,000	86,053	23.5	86	19,559	6,841
Legal services head	62,730	70,000	75,000	71,314	28.2	94	20,087	7,149
Personnel director	60,000	69,000	82,500	76,782	27.1	88	21,417	7,035
Money markets head	57,385	70,000	79,000	70,556	28.9	85	17,508	6,031
D-P director	56,135	60,000	73,700	69,974	25.4	78	16,301	6,653
Credit manager	36,036	46,441	50,800	43,996	9.4	93	16,593	5,322
Customer services head	26,550	30,150	37,800	31,923	7.2	41	13,803	5,329

Source: Day Associates

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- Probably 35-45, graduate level, FCA or ACA, experienced in working with external advisors and managing City relationships.
- Experience with house building, construction or allied sectors would be advantageous. IT literate and skilled in developing financial and control systems to satisfy user expectations.
- Practical, analytical and numerate. Inquiring nature, challenging the status quo and seeking improvement. Stature and maturity to join the Board within an agreed period.

Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F1074026M, Adlington Court, Greencourts Business Park, Styal Road, Manchester M22 5LG

Six Figure Package — SCOTTISH TELEVISION — *Glasgow*

Group Finance Director

Scottish Television plc holds the ITV franchise for Central Scotland and is one of the UK's leading independent quoted media groups with a market capitalisation in excess of £350 million. With established wholly-owned and joint-venture operations in broadcast and production, it is poised to take full advantage of the proposed imminent changes in broadcasting regulation and ownership. Following promotion of the incumbent to Managing Director, the Board now wishes to appoint a talented finance professional to play a key role in what is likely to be a period of tumultuous change.

THE ROLE

- Supporting the Board by maintaining tight financial management and control and first-class IT, company secretarial, legal and administrative functions to manage existing and new businesses and shared ITV services.
- Evaluating and negotiating initiatives to enhance the existing franchise and grow new revenue streams through joint ventures and acquisitions.
- Motivating and enthusing a lean, recently restructured team to deliver continuous cost reductions and first-class support to the current and acquired businesses.

THE QUALIFICATIONS

- Mature and ambitious finance professional, aged 35+, with experience of contributing to or advising at board level. Prior corporate development experience essential, particularly M&A, preferably in a high technology or creative service environment.
- Gifted communicator and presenter, able to evaluate and negotiate business opportunities, think laterally and translate a demanding strategy into tangible results.
- Outgoing and confident team player who will thrive and enjoy working in a pressurised fast-moving industry.

Scottish Television plc is an equal opportunities employer

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F60750261, 16 Connaught Place, London W2 2ED

c. £50,000 + benefits — WWF — *Godalming, Surrey*

Finance Director

As the global force for conservation, WWF is committed to saving threatened wildlife species and their habitats. With a budget approaching £25 million, the UK national organisation is a driving force in this thriving global agency, funding and managing more than 300 projects in the UK and some 30 countries around the world. Having recently restructured, with a revitalised management team and strengthened international relationships, WWF-UK now seeks a dedicated, top-quality finance professional to contribute to its continuing evolution and growth.

THE ROLE

- Responsible to the Chief Executive for the provision of first-class finance, MIS, database and administrative services. Influential member of the team directing the programme of conservation and education projects, fund-raising and communications.
- Enhancing information flows to support management decision-making, with particular focus on overseas projects.
- Leading in development of new operating practices throughout the WWF International Network. Liaising with professional advisors and further strengthening WWF's influence in the voluntary sector.

THE QUALIFICATIONS

- Qualified accountant, with significant experience in financial planning and performance management appropriate for a progressive, flexible and responsive organisation. Used to contributing across a broad front at Board level. Charity background not crucial.
- Proven team leader with mature judgement and interest in people development. Conversant with the potential applications of the latest IT from a managerial perspective.
- Practical and constructive, with confidence to challenge ideas. Extrovert with sense of humour. Adept communicator, able to foster strong relationships with colleagues across national and cultural boundaries.

WWF-UK is an equal opportunities employer

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F40760261, 16 Connaught Place, London W2 2ED

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- The Director Internal Audit will be responsible for furthering the fundamental review of audit practice already begun, working with line management to develop a partnership approach to assessing business risk and implementing effective internal control procedures.
- He/she will continue to improve the quality of the internal audit function through recruitment, training and development programmes. The departments resources will be available to provide broader financial/analytical services to the group on an ad hoc basis.
- A charismatic individual with strong leadership skills is needed to motivate and challenge this key resource. Energetic, intellectually flexible, commercially minded and ambitious, he/she will have excellent interpersonal skills and will be able to rapidly establish credibility with the group's senior management.
- This role provides a rare opportunity to enter the group at a very senior level in finance and make a major contribution to the finance team. It is expected that the right candidate will progress to a senior line finance appointment elsewhere in the group within 2-3 years.
- Qualifications: a first class academic background and either experience as a partner/senior manager in a major accountancy firm or a senior position within a large international internal audit function. It is likely that the right candidate will have achieved all of this by their mid to late thirties.

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GE Lighting Europe

Financial Controller

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As a result of internal movement they now seek to recruit a Financial Controller for their Hungarian operation. Reporting into the European Financial Controller and managing a team of 40 staff, responsibilities will include all monthly management reporting to strict deadlines, some treasury work, a broad range of tax issues and financial systems enhancement. Further, you will be fully responsible for the preparation of local statutory accounts.

The successful candidate will need to be a qualified accountant with several years' experience, preferably gained within a manufacturing environment. They will need to have a good knowledge of US/UK GAAP reporting, foreign exchange management and any local reporting experience would be a distinct advantage. In addition, they will need to be highly computer literate in both mainframe financial software and PC spreadsheets and possess excellent communication skills being fluent in both English and Hungarian. The ability to direct and motivate staff to meet short and long term business objectives is also a pre-requisite.

Interested candidates should forward a comprehensive curriculum vitae, stating a daytime telephone number and current remuneration, and quoting reference number 275541, in strictest confidence, to Hugh Everard, Director at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LH, England or fax +44 (0) 171 404 6370.

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Die Aufgabenschwerpunkte sind:

- Neben den klassischen Prüfungen im Finanz- und Rechnungswesen umfaßt der Aufgabenkreis sämtliche Funktionsbereiche, wie z.B. Personalwesen, Produktion, Materialwirtschaft, Vertrieb
- Sicherstellung der Ordnungsmäßigkeit sowie Wirksamkeit der Kontrollsysteme und der funktionalen Effizienz der Geschäftsabläufe
- Aufdecken von Schwachstellen und beratende Begleitung zur Beseitigung erkannter Mängel
- Ansprechpartner für das jeweilige Management und für externe Prüfer

Der/die erfolgreiche Kandidat/in sollte eine abgeschlossene Ausbildung zum MBA, CA, CPA, Diplom-Kaufmann o.ä. mitbringen und 2-5 Jahre Berufserfahrung im europäischen und/oder US-Accounting/Auditing in internationalen WP-Gesellschaften (Big Six) oder in der internen Revision gesammelt haben. Darüber hinaus sind sehr gute deutsche und englische Sprachkenntnisse erforderlich. Weitere Fremdsprachenkenntnisse sind von Vorteil.

Da die Prüfungen weltweit in allen Konzerngesellschaften stattfinden, muß die Bereitschaft zu häufiger Reisetätigkeit (bis zu 75%) vorhanden sein. Die Konzernrevision ist dem Vorstand unterstellt. Sie berichten direkt an den Manager Group Internal Audit.

Interessierte Kandidaten/innen senden ihre aussagefähigen Bewerbungsunterlagen bitte unter Angabe der Referenz JD/20441 an Herrn Jürgen Dönges, Michael Page Deutschland GmbH, Steinstr. 13, 40212 Düsseldorf Germany, Tel. (++) 49 211 32 44 55

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Your primary responsibilities will encompass analysis of operating results, application of cost volume profit studies, project profitability analysis, cash flow forecasts, acquisition/divestiture analysis as well as preparation of annual Business Plans, Capital Plans, Strategic Plans and monthly financial forecasting.

You will be managing a Business Planning team and working closely with Line Operating Controllers on a Pan European basis.

This position requires a fast track individual with superior communication and analytical skills and advanced microcomputer expertise. Your background must include an MBA in Finance (Chartered Accountant a plus) and at least 5 - 7 years of demonstrated achievement in financial planning and analysis in a corporate or public accounting environment. Fluency in a European language would be an additional advantage.

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Please send your c.v. to James Shipside, Hertz Europe Limited, Hertz House, 700 Bath Road, Cranford, Middlesex TW5 9SW.

Hertz

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Investment Analyst

European Oil & Gas

Kleinwort Benson Securities is a major UK securities house with highly regarded research which is distributed internationally to institutional clients. We are looking for an analyst to work within our Oil & Gas team in London.

As a well qualified graduate, you are likely to have between 2 - 5 years of either City experience in the oil sector or working within the oil industry. You will be highly computer literate, preferably with experience of Excel. An understanding of basic accounting principles is desirable. You will be a self starter and very ambitious, and will possess excellent written and verbal communication skills, along with the desire to become a ranked analyst.

If you are interested in this position please write to Carol Booth in Group Personnel at Kleinwort Benson Limited, 20 Fenchurch Street, London EC3P 3DB.

Kleinwort Benson Securities Limited

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Part of the E D & F Man Group plc - a leading international trading and financial services group since 1783 – E D & F Man Investment Products is a pioneer in alternative investments. Our success is founded on the rigorous analysis of the behaviour of financial markets combined with strong risk management. Through sophisticated financial engineering and corporate structuring expertise we are able to create innovative products that meet the needs of our clients.

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You will join a small financial engineering team developing a range of investment products and producing client proposals and reports to assist their sales and marketing. Your role will involve supporting all these activities using our proprietary software.

A graduate with a degree in a numerate discipline, strong analytical skills and a high standard of computer literacy, your financial experience will ideally be complemented by an understanding of economics and international financial markets. Applications for a similar post will be considered from outstanding candidates confident of graduating with a good financial degree this year.

Research Programmer

The position involves supporting the maintenance and development of our quantitative trading methods and risk management systems. A high calibre graduate in a numerate degree, you will have experience of programming in C/C++ and knowledge of UNIX and ORACLE would be advantageous. A background in statistics and mathematical programming would also be desirable.

This is an opportunity to join a company that recognises that its people are its most important asset and that their contribution enhances the reputation and continued success of the company.

Our competitive financial services benefits package includes excellent bonus potential and profit sharing.

Please send your cv indicating which position you are interested in and your current remuneration to Denise Perrett, Recruitment Manager, E D & F Man Group plc, Sugar Quay, Lower Thames Street, London EC3R 6DU.

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Responsible for UK equities in a small, award winning, top-ranked team.

Should be capable of acting on own initiative within a disciplined framework, articulate concepts and strategy.

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Remuneration package in line with best banking practice.

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Mortgage and Asset Backed Securities

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Our client, a prestigious US investment bank, is looking for an experienced Product Manager. Reporting to a senior Managing Director you will play a key role in all aspects of trading, structuring and the selling of Mortgage and Asset Backed Securities. The successful candidate will liaise between New York trading, London sales force and European accounts.

The following attributes are critical:

- Significant commercial exposure to the international finance community, with at least five years' trading and structuring experience at senior level.
- Detailed buy side experience of both US and global Senior and Subordinate Mortgage and Asset Backed products.
- In-depth understanding of portfolio management strategies.
- Demonstrably superior marketing skills and the ability to build client relationships.
- MBA and track record of academic excellence.
- Fluency in two European languages.
- High level of integrity together with excellent communication and leadership skills.

The remuneration package tailored to the successful applicant will be competitive. To apply, please write enclosing a full CV, to: Alastair Lyon, Confidential Reply Handling Service, Ref 359, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client, but please indicate any organisations to which your details should not be sent.

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HIID Environmental Finance Advisor for Slovakia

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Must have master's or Ph.D. in finance, economics, environmental economics, or MBA with min. five years experience in env. finance or policy analysis of natural resources and env. issues. Expertise and exper. in financing mechanisms to support environmental investments is essential. Diverse background in applied environmental and natural resource economics, or business and the env. is preferred. Experience working overseas as a financial expert or policy advisor in transitioning economies or developing countries desirable.

Send cover letter and resume ASAP to Professional Recruitment, HIID, One Eliot Street, Cambridge, MA 02138, USA, Fax 617-495-0527.

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EXPERIENCED INVESTMENT ANALYST/PORTFOLIO MANAGER

Templeton *Edinburgh*

Our client is part of one of the worlds largest investment management groups with over $130bn assets under management. The group employs in excess of 4,500 staff globally with offices in the UK, Bahamas, USA, Canada, Australia, Hong Kong, Singapore and Germany.

Continued expansion has resulted in the need to enhance the investment team in Edinburgh which manages a range of global equity and bond portfolios based upon the excellence of their team of global analysts. All members of the research teams are both analysts and portfolio managers.

We seek an individual probably with 3 to 5 years experience of successful stock selection with a track record of producing a significant real return on investments.

Educated to degree level and ideally IIMR qualified, the successful applicant will be self-motivated and open-minded with the courage to explore unusual stocks in an environment where market changes present opportunities to outperform the field.

Candidates will be seasoned analysts with the ability and confidence to present the company to existing and prospective clients as well as the determination to be successful through dedication to continual learning and self development. The role requires a team player who is prepared to be flexible and mobile, and who although possessing proven expertise in particular sectors or markets, relishes the challenge of developing their career in new ones.

Realistic and down to earth, the right individual will enjoy choosing stocks and will see self-development in a world class investment company as central to their aspirations.

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This position reports to the Director of the Refining an Petrochemicals Business Unit in Germany, and will have responsibility for sales developement and promotional activities, including client visits, technical presentations, proposal preparation, sales strategy, and other activities designed to develop the market and receive orders.

A degree in Chemical Engineering, and experience as a Process Engineer in the refinery and petrochemical areas are required. Experience in sales and marketing would be an additional benefit.

We offer a competitive salary, excellent benefits and superior working conditions. Our present office is located in Dubaï, UAE.

To be considered for this career opportunity, please send your resume with salary requirements in complete confidence to:

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The ideal candidate should have some experience in the technical analysis of relevant markets, with a bias towards classic charting techniques, Elliott wave analysis and cycles, though experience in other areas will certainly be considered.

In exchange a competitive salary is offered.

Please forward your CV to Chris Turner at:

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We have created a challenging new position to assist our portfolio managers in their dealing activities.

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We are offering a competitive remuneration package.

To apply for the position, please write, enclosing a full CV to :
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Old Mutual International Asset Managers (UK),
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OLD MUTUAL

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Global Research wishes to recruit a high calibre individual to *develop client relationships internationally. Responsibilities* will include winning new business, developing research projects, supporting analysis and working with senior management within client organizations to apply findings.

Please send CV to Justyn Trenner, Head of Global Research, Fax +44 171 779 8769

de : Thomas le Carpentier — Réf. à rappeler : TCM 762

à : *Un financier*, 35 ans environ, expert comptable ou possédant un diplôme de bon niveau universitaire, avec une première expérience dans un cabinet d'audit, puis une autre expérience dans un *environnement européen* (industrie ou services) à un poste de Directeur Financier, où la gestion des hommes et des affaires est au moins aussi importante que *la seule responsabilité des chiffres*.

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Company

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Role

Internal Audit plays a vital role in the control environment of the Group and is regarded as an area for manager training and development. Due to the diversity of the Company, this position will be high in profile and exposure requiring an ability to handle clients and give presentations to all levels and areas of the Group. An element of UK and International travel will be required.

Person

The successful candidate will be of graduate calibre, be committed to further professional and personal development and have at least 5 years experience, ideally within a computer audit or technical role. This should be complemented with a broad knowledge of Information Systems including:

- Mainframe, midrange and PCs
- UNIX, 4GL's
- Relational Databases
- Networking
- Practical knowledge of the full systems development life cycle

This is an excellent opportunity to gain wide exposure within a dynamic and expanding group, with excellent prospects for promotion to a management position.

If your talents and ambitions are equal to the challenge please call, **John Hunt on 0171 209 1000 (W) 0181 675 7886 (H)** *or send, fax or E.Mail your CV to* **Drax Dearman Associates at Charlotte House, 14 Windmill Street, London W1P 2DY, Fax 0171 209 0001 E.Mail: Drax@dearman.demon.co.uk** *Quoting reference FT0034.*

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WE SEEK THE FINEST TALENT IN IT

Global Asset Management (GAM) is an expanding, international investment management group. Founded in 1983 and with nine offices worldwide, it manages over $8 billion on behalf of private, institutional and intermediary clients. GAM's management has always viewed IT as a prime source of competitive strength, and technology plays a significant role in all aspects of the firm's activities. We now require additional highly talented individuals to fill a number of key roles.

Development Manager

A key component of this role will be team building. Ideally you will have managed a team of up to 50 people developing client/server solutions for an investment management or other financial institution. Your background should include the management of multiple teams developing in various tools, including Visual Basic, Access and Oracle. Ideally you will also have experience with Lotus Notes, Internet and Intranet developments. Ref: 10696A1

UK Support Manager

Responsible for the management of the Support Desk and Executive Support function, you will offer the highest quality communication skills. The performance of the Support function dictates the way the IT department is perceived by the business, and you must be able to work well under pressure and withstand high levels of stress. Self motivating and dedicated to providing a quality service, you must have experience managing a support function in the finance sector, with a minimum of 5 years' technical experience in MS Windows, Office, Lotus products and Netware. Training experience an advantage. Ref: 10696A6

Operations Manager

London is GAM's operational hub and with a team of six you will provide 24-hour cover 5 days/week through three shifts, with a remit to ensure that GAM's systems are available, accessible and secure. Responsibilities include running/monitoring processing on the corporate database, system backups, data distribution, cc:Mail, Lotus Notes and Netware administration and application implementation. With solid experience in most of these areas, you will also have the management skills to lead a team working in a challenging support environment providing the highest level of user satisfaction across locations. Ref: 10696A2

Global Implementation Manager

This new role will co-ordinate change management of business critical systems across all locations. At project inception you will determine the minimal risk change strategy and thereafter ensure compliance, whilst building a responsive, quality change programme for the Group. You will have had exposure to formal change management and have a thorough grounding in the development cycle and project management. You will be decisive with the intellectual capacity to operate successfully and independently. International travel will be involved. Ref: 10696A4

Business Analysts/Project Managers

You will co-ordinate all user and technical involvement from feasibility to implementation on projects that focus on key business requirements. You will have significant systems development experience, ideally gained in a client/server environment, preferably in the investment management arena. With a record of major project delivery and a business focused approach, you will operate at the most senior level across functional boundaries and cultures. Ref: 10696A5

Remuneration will be appropriate to attract the best people. Roles are based in Central London. Candidates must possess a good degree and have excellent communication skills. To apply, please send or fax your CV, quoting the relevant reference number, salary details and where possible a daytime telephone number, to our advising consultants, Goodman Graham & Associates, 8 Beaumont Gate, Shenley Hill, Radlett, Herts WD7 7AR. Fax: 01923 854791.

GAM

IT Director

Newspaper Industry

Salary c. £60,000 + bonus + car **Location: London**

Our client is one of the country's quality national titles and like all newspapers, IT is absolutely crucial to their aim to ensure your newspaper is produced on time every day. Following internal promotion within the group it is now seeking a new IT Director who will take full responsibility for the continued success of the IT department and to plan and carry through an evolving IT strategy in this changing industry.

Over the last ten years Information Systems and the Technology that supports them have become the backbone of newspaper publishing. Page make-up, editorial, sales and marketing systems are totally dependent on IT, as is the transmission of the papers to the print sites in the UK and Europe.

Reporting directly to the Managing Director, the IT Director will work with the Board to develop this strategy and then manage the IT group, currently 45-strong, to deliver the best available solutions for the business.

We are, therefore, seeking an experienced IT manager with first class interpersonal and management skills as well as a broad but solid background in all aspects of IT. Clearly, knowledge of the publishing industry would be a key advantage but we are open to applications from outside if you believe your experience and ideas could add value.

To apply, please write, enclosing your CV to the advising consultants John Kearney or Pippa Hartley at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033). Please quote reference number HN1873FT and include current salary details and where possible, a daytime contact number.

Also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition.

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European IS Professionals

Our client is a premier global Fortune 200 Corporation, committed to shareholder value growth through core business development, innovation and excellence. *Committed to sustained customer satisfaction, the company is* constantly reviewing its operations and a new strategy for organising Europe as an integrated market has been defined. To support this change the IS policy has also been reviewed and comprehensive changes are underway.

Specifically, this plan is to move the IS organisation from a Country to a European base and hence to develop systems which serve the business on this basis. The Company has therefore, identified the need to bring on board some exceptional European experience to add value to the existing team and the following two requirements have now been defined:

European Systems Manager

£ Excellent package

European restructuring has provided a unique opportunity for a motivated Systems Development Manager with up to date knowledge of development techniques.

Working closely with global management teams and external suppliers, your brief will be to contribute significantly to an efficient and cost effective transition from a Country to a European based Systems Development Organisation.

Previous experience of managing change across the continent with particular emphasis in the consumer products industry is necessary.

The control of resources, budgets and timescales ensuring cost-effective solutions which demonstrably improve the business is essential. Key to your success will be highly developed interpersonal skills as you will have to work across borders utilising teams not necessarily under your direct management. Ref: HN1791FT

European IS Services Manager – $8 million budget

£ Excellent package

The integration of European Services generates the need for an experienced manager to advise and recommend to Senior European Management the strategic utilisation of operational services to meet business goals both now and into the future.

An essential area of experience is negotiation with vendors, evaluating their capabilities and ensuring detailed service level agreements are met within effective cost/performance parameters.

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■ **Amsterdam:** by Ronald van de Krol

Dutch challenge London

The ISD is rekindling old rivalry as Holland bids for a bigger world share

The implementation of the European Union's Investment Services Directive is set to add new impetus to the Netherlands' stock-market battle with Britain. Thanks to the directive, the Amsterdam Stock Exchange will this year be able to allow foreign securities houses to become "remote members", making it possible for them to trade Dutch equities in the Dutch capital from elsewhere in Europe.

The campaign to attract foreign equity traders from the UK mirrors Amsterdam's earlier efforts to win back bond trading from London. This was accomplished in early 1994 by arranging special membership for foreign, mainly London-based, traders to take part in a revamped Amsterdam Treasury Market (ATM) – or the Dutch government bond market.

Eighteen foreign houses ranging from Goldman Sachs International to the London branch of Swiss Bank Corp, and from CS First Boston to Nomura International, have taken out special membership for ATM purposes. These same brokers are being targeted in Amsterdam's drive to promote remote membership for equity trading.

The Amsterdam exchange is in talks with eight equity houses, raising expectations that five or six may sign up for remote membership by the end of 1996.

Another event scheduled for mid-1996 is the creation of a new structure for the Amsterdam Stock Exchange to make its decision-making process less unwieldy. The new-look exchange will be run less like an association of members and more like a business: it will be owned by a holding company and have the status of a public limited company.

The simplified structure will make it easier to negotiate a merger with the Amsterdam-based European Options Exchange, creating a more tightly focused capital market for the Netherlands. It should also make the Amsterdam Stock Exchange better equipped to compete with foreign counterparts, as trading and settlement of trading will fall under the same umbrella.

In fact, all of Amsterdam's reforms since the late 1980s – the abolition of stamp duty, the encouragement of block trading between banks and the automation of order flows on to the bourse – have been designed, explicitly or implicitly, to boost liquidity and thereby increase the ability to compete with London, the Dutch capital's main rival.

The flow of trading in Dutch bonds and shares into London – particularly steady in the late 1980s – has now been stemmed. In Dutch government bonds, the ratio between London and Amsterdam is now roughly 50:50, after being 60:40 in London's favour in 1993. In equities, Amsterdam now claims to account for 70 per cent of turnover in international Dutch stocks, up from 55 per cent in 1993. London's share, according to the Amsterdam bourse, has therefore fallen to 30 per cent.

Nonetheless, Amsterdam knows it must not be complacent. It watches London carefully. The deep-seated rivalry means that the recent turmoil in London about trading systems has been greeted with quiet satisfaction in the Dutch capital. When Amsterdam adopted its new trading system on September 30, 1994, it consciously eschewed London's *quote-driven market-making* methods and opted instead for a complicated hybrid system combining both quote-driven and order-driven elements. With London now reconsidering how to reintroduce some measure of order-driven trading, Amsterdam's decision looks far-sighted.

The hoekman now takes the role of a stock specialist

Besides allowing for both market-making and order-driven business, the new trading system, Trading System Amsterdam (TSA), also distinguishes between retail and wholesale market segments. The wholesale side is further split into two systems – Amsterdam Stock Exchange Trading System (ASSET), an "advertising" screen for quotes posted by member firms, and Automatic Interprofessional Dealing System Amsterdam (AIDA), effectively an automated interdealer broker.

In the *retail market*, the "hoekman", formerly a stock jobber, has now taken the New-York style role of a stock specialist. Frequently blamed in the past for the difficulty of effecting large trades in Amsterdam, the hoekman is now also active in the wholesale market. In 1996, the hoekman firms were involved in about two-thirds of wholesale turnover between members of the Dutch exchange.

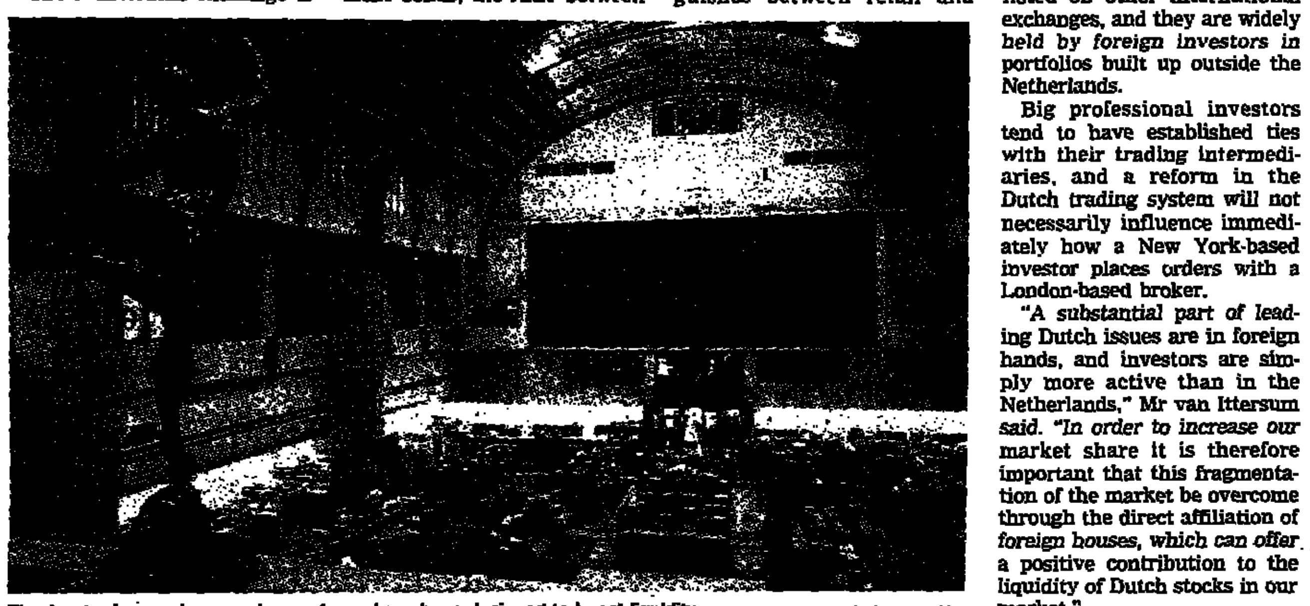
Despite the reforms – widely regarded as a successful, if complicated, compromise to retain the hoekman role in a revised form – Amsterdam still remains vulnerable to the encroachment of foreign exchanges.

"Our market capitalisation of around 7 per cent of the European exchanges means we would do well to remain modest as well as vigilant with regard to future developments," Baron Boudewijn van Ittersum, chairman of the Amsterdam exchange, said in a New Year speech to members on the first trading day of 1996.

Amsterdam's top stocks, such as Royal Dutch/Shell, Philips, and Unilever are all listed on other international exchanges, and they are widely held by *foreign investors in* portfolios built up outside the Netherlands.

Big professional investors tend to have established ties with their trading intermediaries, and a reform in the Dutch trading system will not necessarily influence immediately how a New York-based investor places orders with a London-based broker.

"A substantial part of leading Dutch issues are in foreign hands, and investors are simply more active than in the Netherlands," Mr van Ittersum said. "In order to increase our market share it is therefore important that this fragmentation of the market be overcome through the direct affiliation of foreign houses, which can offer a positive contribution to the liquidity of Dutch stocks in our market."



The Amsterdam exchange, where reforms have been designed to boost liquidity Lydie van der Meer

■ **New markets:** by John Pitt

Storm gathers from the east

Could there one day be a central market that includes Eastern countries?

The financial markets of eastern Europe could enjoy substantial growth this year as international investors take a close look at prospects in the region.

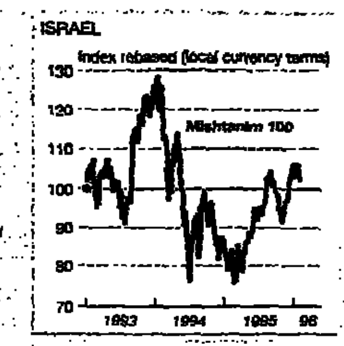
Following strong gains in other *emerging markets over* the past few years, many *investors have decided that* the time could be right for further expansion into countries such as Hungary, Poland, and the Czech Republic. There is *also increasing interest in* both Turkey – which has high *hopes of becoming a member* of the European Union – and Israel.

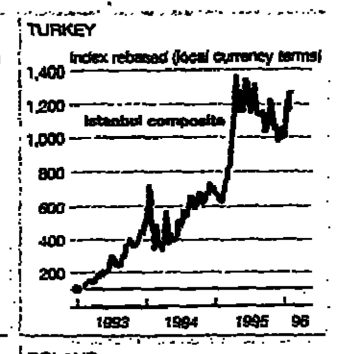
Of course, the impact of the Investment Services Directive *on these markets is negligible.* Even if they did belong to the EU, *they would probably be* too small and too underdeveloped *to take advantage of the* new remote membership rules. The question is whether, in the future, trading links with the west will be mutually desirable.

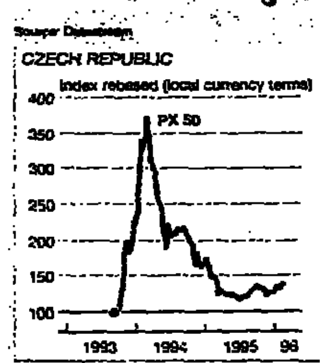
The answer is probably yes. The financial markets of eastern Europe are working hard to catch up. Mr Mark Mobius, *for instance*, who runs Templeton's $7bn emerging market fund, argues that eastern European countries as a whole have moved very swiftly "to *build complex market mechanisms* for the foundation of economic development...They have opened effective stock exchanges much more quickly than other lower-income countries around the world".

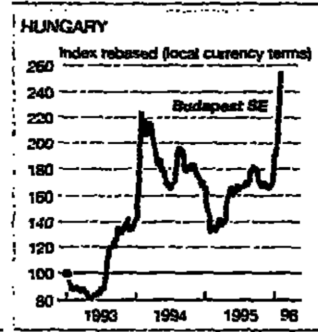
He notes *that* Slovenia has probably been the most successful of the group, having sold-off some 300 companies and giving preliminary *approval for another 600 privatisations.*

According to Daiwa Europe, 1995 was a watershed year for foreign domestic investment in *this region*. "*While* the regional total of just under $10bn is less than half the sum flowing into China, it nonetheless marks a taking-off point which will accelerate other *regional investment decisions*, having reached a critical mass in many countries," the broker comments. "As credit ratings improve, and western financial involvement deepens, FDI could increase by between 30 to 50 per cent annually for several more years".









A similarly bullish viewpoint comes from UBS. "The 'transformation recession' which occurred as the economies made the jump from the command economy to the market economy is over," says the investment bank. "Major strides are being made in privatisation and corporate restructuring...and expertise *in previously unknown concepts* such as accounting, marketing and distribution is growing."

Customs union could lead to more mergers in Turkey

Mr Roger Monson at Daiwa *comments* that the main concern at the moment is transparency. For instance, in the Czech Republic more than 80 per cent of trading takes place off the official market. But all *the markets are developing* stock market procedures comparable with those in the west, and some are receiving funding help from the European Bank for Reconstruction and Development or grants from the IMF/World Bank.

Of course, the markets differ widely from each other. At present, buying equities in the Czech Republic, for instance, *involves making transactions* through a local broker, with the purchase being made in either koruna or, if the deal has originated in London, sterling. Settlement is T+3 or T+4.

In Turkey, the equity market is well-established and liquid, with daily volume approaching an average of $200m on the 180 listed stocks, giving a market capitalisation *of more than $25bn*. Analysts say that trading is quite transparent with companies publishing four sets of financial statements a year. Settlement is T+2 and trading, at four hours per session, is now electronic.

While Turkey has yet to be affected by the ISD initiatives, its customs union with the EU has already become a reality. The customs union brings the country more fully into the single European market by extending many of the European Union's trade and competition rules. Turkey is one of the EU's biggest export markets, and the EU accounts for some 50 per cent of Turkey's exports.

Ms Feyza Sensoy at Carnegie *says the customs union could* lead directly to more mergers and acquisitions activity, as well as an increase in foreign direct investment.

A similar situation can be found in Israel, where it is far too early for the ISD to have had a significant impact. A London-based analyst says the state's main trading partner, apart from the US, is the European Union, while bilateral trade with Germany is the most important.

The equity market is computerised, has a market capitalisation of some $50bn, with about 40 leading and liquid stocks traded.

Settlement can be same-day although, since most transactions are conducted in foreign currency necessitating a forex conversion, trading is usually conducted T+2.

With a gradual easing of tensions in the Middle East, analysts expect a steady growth in corporate earnings: forecasts are for a rise in 1996 of 13 per cent.

■ **Regulation:** by Christine Moir

Once more unto a breach?

The growth of remote membership has serious regulatory implications

It would be a mistake to believe that attempts to create a new single market in *securities* and derivatives trading will usher in an era of uniform regulation across Europe. The Investment Services Directive and its sibling, the *Capital* Adequacy Directive, together set minimum standards for both markets and traders. But minimum is not necessarily ideal: the gap between the ISD and CAD standards and best practice leaves ample opportunity for regulatory arbitrariness.

Under the directives, the home country of a securities firm *is responsible for* authorising it to trade elsewhere in Europe. When travelling on the "passport", however, the firm must obey the business rules in the host country.

In principle, that should mean that in any one market all firms – local or visiting – will operate by the same set of rules. In practice, however, disparities will probably be inevitable. The host country cannot take away a visiting firm's passport, so *someone from a* laxer country could – theoretically – cock a snook at tighter regulation.

The host country could fine *or discipline* the incomer for any breach of rules but would need the co-operation of the home country to have it de-authorised – something that might not be easy to achieve.

The potential for inequalities become apparent when you consider the position of firms from a stringent regime. They will not be able to relax their standards for fear of having their passports cancelled by their home authority.

British fund managers are wincing at the thought that tough UK regulations may cost them business abroad. "The SIB lays down very tight rules *about handling* client money, which add to our costs. Some other countries do not. In these places, therefore, our charges would be uncompetitive compared with local firms," complains Mr Stephen Tanner, *director general of the Institutional Fund Managers Association.*

Regulators argue that the high standards of British firms will help them win business when they are abroad. For most investors, however, the cost of trading will be the overriding factor.

The price of regulation may also affect markets. The same *institutional fund managers* groaning under their regulatory costs are eager to seize the chance of cheaper trading abroad. Many have already abandoned the London Stock Exchange's Seaq system for foreign securities in favour of *trading directly on cheaper* markets. The opening up of all European markets may accelerate this trend.

The host country cannot take away a visiting firm's passport

While certain minimum standards of regulation are clearly essential there is no consensus about what they should be. The London Stock Exchange has had to tighten its trade publication rules to meet the transparency requirements for a regulated market under the ISD. Yet many UK institutions have hotly argued that they would settle for a degree of opacity if that were to enhance the liquidity of the market. It is one of the issues complica*ting the exchange's* current reform programme.

The same institutions applaud Frankfurt and Paris for settlement systems that they regard as superior to London's. But the abandonment of Taurus (London's late lamented settlement experiment) was ample proof that superiority can come at too high a price. Taurus was killed off because it was too expensive to *survive*.

At the heart of the new regime is the idea that all firms trading in securities will be fit and proper and financially strong enough to meet the risks they take. Hence CAD, which lays down the *principle of capital adequacy*.

Even here, different systems in different countries mean that *different amounts of* capital are called for. It is rumoured that some less scrupulous operators are seeking to set up in the country with the lowest capital requirement and then win their passport to more demanding markets.

Even the approach to regulation differs between countries. All pay lip service to the concept of open borders and a single market but some may not apply it in practice. Although the directives are designed to facilitate openness they do offer a window to protectionists. EU states are required to give authorised firms access to their markets *and customers* but they may exclude anyone by invoking the "greater good" principle. Disgruntled insurance companies denied access *to Germany and mortgage* issuers unable to penetrate France believe it is this that worked against them.

Notwithstanding these anomalies, the twin directives will reinforce the trend to higher standards that has been a feature of the past decade. The lowest common denominator that applies under the ISD sets a fair standard that can be raised over time. It is already clear that not every market will qualify as a regulated *market*. Some may cease to exist or need to merge.

Liquidity is probably the key factor in the survival of a market and experience has shown that the best regulated markets are the most liquid. Countries and markets struggling to meet the requirements of the ISD at present will see a vivid corroboration of this as 300 of Europe's blue-chip companies begin to choose the markets on which they want to be listed under the new Eurolist arrangements.

Eurolist is yet another approach to creating a single investment market. Companies wanting exposure to more than their own market will be able to access all the other European bourses by paying a single fee and using standardised procedures. Investors will then be able to buy their shares either through the investors' home market or through the company's national market.

For many institutional investors, Eurolist, when it is fully developed, will be an alternative to the ISD-driven single market and may even be preferable.

■ **Derivatives markets:** by Richard Lapper

Three forces for change

Deregulation, new technology and Emu figure large in the futures and options business

Liberalisation and the introduction of new trading technologies are leading to an intensification of competition between Europe's 24 futures and options exchanges. Already the threat of competition has led the second and third biggest exchanges, in France and Germany respectively, to link up, making rationalisation likely.

In the longer term, the prospect of European Monetary Union will increase the pressures. Mr Gérard Pfauwadel, chairman of the Matif, the Paris-based futures market, expects a wave of restructuring with some derivatives markets disappearing, either through merger or takeover. The combination of pressures will mean "substantial modification in the landscape of futures and options exchanges in Europe", he says.

Although only a handful of European states has so far implemented the European Union's third investment services directive, the new rules will effect more change, eventually making it possible for an exchange based in any one EU country to trade across borders. That, combined with new trading technologies introduced over the past five to 10 years, will allow the brokers and banks to trade on exchanges from offices anywhere within the EU. In theory at least, banks will be able to base trading operations for a number of exchanges at one room.

Already, technologies introduced over the past five to 10 years have permitted extensive development of remote trading. The Deutsche Terminbörse, for example, Germany's derivatives exchange, which is now a division of the broader Deutsche Börse, has been fully electronic since its inception in 1990, and is already giving access to members based outside Germany.

Members of Matif gained access to DTB's Bund and Bobl contracts following an agreement between the two exchanges in the autumn of 1994, and a handful of traders based in the Netherlands is now trading DTB contracts. The DTB had been unable to obtain authorisation to operate in the UK, but, under the new European rules, will open a telecommunications facility there. The link will reduce the cost of trading for members based in the UK.

Smaller electronic exchanges such as Spain's Meff, the Stockholm-based OM and the Amsterdam-based EOE, will also enjoy greater freedom of operation but, at the same time, could become more vulnerable to competition.

Looking further ahead, European monetary union will affect the continent's exchanges even if integration is confined to a relatively narrow group of EU members. The likelihood is that EMU will spark fierce competition for bond business between the London International Financial Futures and Options Exchange (Liffe), on the one hand, and the Matif and the DTB on the other. At present, Matif dominates trading in the French bond and money market business, but more than 70 per cent of transactions in German government bonds are conducted at Liffe. Indeed, the bund and euromark contracts are Liffe's most popular products, and, alongside UK and Italian bond and money-market contracts, account for more than 50 per cent of the exchange's business and revenues.

> The likelihood is that Emu will spark fierce competition for bond business

From 1999, European governments that join Emu are likely to raise debt in the euro, the new European currency, rather than their national currencies. Bonds denominated in those national currencies will be converted into the euro. Governments will continue to issue their own debt – and a French government euro-denominated bond will be rated differently from a German one, for example. However, the likes of the bund contracts currently traded at Liffe and the DTB will disappear.

While competition for the new German and French "euro" denominated bond futures is likely to be fierce, the outcome of the battle remains uncertain. Although the French and German exchanges have developed plans to set up a joint electronic trading system, their alliance – just like the process of monetary union itself – has not been easy and its future is still far from guaranteed. Unlike the DTB, Matif still trades its most popular products by open outcry. Paris dealers and their firms have opposed proposals to remove the French bond contracts from the trading floor and switch them to an electronic system.

This has led to some inequality in the Paris-Frankfurt deal. Although the DTB agreed to allow Matif members to trade its most popular contracts 18 months ago, Matif was unable to reciprocate fully: traders' opposition means two of its most popular contracts are not on the joint network.

The decision by the Deutsche Börse to integrate its derivatives division (the DTB) fully has also had an impact on the original plans, conceived early in 1992 by Mr Pfauwadel, chairman of the Matif, and Mr Jörg Franke, his opposite number at the DTB. Last year, the agreement between the two derivatives markets was extended to the cash equity markets.

Co-operation is now focusing on two parallel trading systems, one of German design for equity derivative products and, potentially at least, for "euro" denominated bond contracts; the other, a French system that will be used in the cash equity markets. If co-operation is to go ahead, the German authorities must, by the end of next month, agree to use the French system. In any event, however, both exchanges will continue to trade their bond products independently, at least until the onset of monetary union.

In London, Mr Daniel Hodson, chief executive of Liffe, is sanguine about the impact of both the Investment Services Directive and monetary union, arguing that the directive will be likely to concentrate business in London. "In many respects, by allowing remote trading the ISD will strengthen London's position," he says, adding that brokers and banks will be attracted both by the existing concentration of business in the UK capital and by the liquidity bound up on the trading floor at Liffe. "The point is that you will want your trades to be where management takes place. It will make sense for many to have all their trades operating out of one room in London."

Liffe is confident of its ability to retain European bond business but is also putting considerable energy into efforts to build links with exchanges in other time zones. Last year, the market signed agreements with the Chicago Board of Trade and the Tokyo International Financial Futures Exchange (Tiffe). Liffe will trade the US long bond future and the Tiffe euroyen contract on the Liffe floor in London, outside trading hours at each of the other two markets. Similarly, Liffe's biggest contracts will be traded on the Chicago floor, when trading is over for the day at Liffe.

Dying art? It is doubtful that Matif's open outcry system can survive

■ **Technology:** by Henry Harrington

Behind the remote reality

That electronic trading is forcing revolution is received wisdom. But what software and systems are involved?

Today, there is nothing to stop a British broker trading shares on the Amsterdam stock exchange from under a sun umbrella on a Greek beach.

The convergence of computers and telecommunications has provided the technology for stock exchanges to eschew the trading floor and allow members to trade via computer terminals. And the adoption of the European Union's Investment Services Directive (ISD) on January 1 this year has dissolved regulatory constraints that confined stock exchange membership within national boundaries. Provided they obey the rules of the distant exchange, members can now trade remotely from other countries within the Union.

The only obstacle to cross-border trading is the tardiness of some governments in passing enabling legislation for the ISD. But, according to Mr Jean-Pierre Paelinck, secretary-general of the Federation of European Stock Exchanges (FESE) most, if not all, will legislate by mid-year.

Two factors driving cross-border access to exchanges are liquidity and cost. Illiquidity on European bourses has deterred US and Japanese investors. The overheads of brokerage offices in each EU state are unsustainable, given the technological advances and plummeting cost of computers and communications.

The ability to keep up with technology, will be one of the things determining the stock exchange leaders of tomorrow. A few years ago, more Swedish shares were traded in London than in Stockholm. But, according to a new report*, since 1991 the vehicle through which London dealers made their markets in continental equities – the London Stock Exchange's Seaq International – has been "crumbling".

That Swedish business has been repatriated. While London has held back, efficient, computer-based markets have been developing in continental Europe. The report says the process has a long way to run: "Proprietary electronic trading, brokerage, order routeing, price dissemination and post-trade support systems will further drive down trading costs through improved technology, lower overheads and the bypassing of oligopolistic intermediaries. This competitive pressure may be further increased through cross-border expansion for exchange trading systems via remote membership."

The development of remote membership is made increasingly possible by the quality and cost-effectiveness of the technology. Mr Carl Klingberg, marketing manager of Prosoftia in Stockholm, a division of Sungard Data Systems, says that despite an impressive array of features, Prosoftia's Tradenet software is standardised. He says he has faced limited competition in the markets he has entered – Switzerland, Sweden, Austria and Germany. The cost of implementation is between SKr2m and SKr4m (£200,000 and £400,000) and the normal package caters for between 10 and 50 traders.

Tradenet software provides users with administrative and analytical tools and the ability to aggregate small orders to save costs. It can trade and even define derivative products. In addition, it can control order flows in a bank's own marketplace and communicate with feed vendors such as Reuters and Bloomberg.

In the trading technology business all roads lead to "Silicon Fjord" in Stockholm. Mr Peter Morris, president of the London-based company, MTi, for example, says his product, Extra, has its roots in a package developed by a Swedish broker for keeping track of stocks on Scandinavian exchanges.

Extra, which costs around $25,000 (£16,300) per position, has developed the multiple exchange trading feature to overcome the limited liquidity in European markets. It allows large transactions to be made in small parcels, avoiding price reactions by routeing the deals through a number of markets.

But remote membership of exchanges does not necessarily raise opportunities for suppliers of technology to leap aboard a digital gravy train. The hardware is low-tech by modern standards – PCs and telephone lines. Much of the software for the links is being developed and installed in-house by members and the exchanges and is run via data feeds of financial information providers such as Reuters and Bloomberg.

Mr Mike Duncan is director of equities technology at NatWest Markets in London, one of the first firms to trade remotely on January 1 on the Stockholm Stock Exchange (SSE). He says that the whole exercise of linking personal computers (PCs) to the SSE using the SSE's Sax software probably cost less than £100,000.

At the other end of the line, Mr Carl Johan-Hogbom, a senior vice president of the SSE, says that seven remote members have joined the exchange. He adds that the decision was taken that the exchange should not get into the business of selling software. "What we are good at, hopefully, is creating markets," he says.

Although Tradepoint, the London-based electronic stock exchange that started trading in September last year, has no continental European members yet, its chief executive, Mr Michael Waller-Bridge, says all UK members have remote access and that the exchange is "geared up" for continental European firms.

> In the trading technology business all roads seem to lead to 'Silicon Fjord' in Stockholm

Tradepoint bought a licence for its trading system from Vancouver Computer Trading (VCT) for $1.25m (£817,000). Even though Tradepoint's customisation might make the technology attractive to other exchanges in Europe, it is unlikely to be promoted heavily. "Our purpose is not based around marketing software," says Mr Waller-Bridge.

According to Mr Herve de Laitre, a spokesman for SBF-Bourse de Paris, an alternative view is taken in France. The Paris Stock Exchange has sold its Supercac software to both the Belgian and Toronto Stock Exchanges and is tendering to supply the Frankfurt Stock Exchange.

Cedel, best known for its Euromarket clearing and settlement, has launched a product that allows investors to place their orders and receive confirmation from brokers or exchanges within 17 seconds. The service is available via ADP, Bloomberg and Telerate and its emphasis has so far been on the highly automated North American markets. But the general manager, Mr Jerry Metter in London, emphasises that Liberty InterTrade Direct is an "open, neutral network for processing orders, not executing them".

**The European Equity Markets – The State of the Union and an Agenda for the Millennium*, produced by the European Capital Markets Institute (ECMI) and the Royal Institute for International Affairs (RIIA).

■ **The ISD and the retail investor:** by Philip Coggan

Obstacles to integration

Different tax regimes are just one thing that make cross-border retail sales difficult

The Investment Services Directive (ISD), in theory, turns Europe into a single market in which recognised financial companies are free to sell their products and services across the European union.

The directive's over-riding purpose is to allow product providers or intermediaries in any EU state to set up in any other EU state, provided they are regulated as fit and proper at home.

In practice, however, this brave new world may be long in the making. "I honestly don't believe the ISD is going to make an immediate difference to anybody," says Mr David Ainslie of the UK financial services group, Towry Law.

> On the continent, unit trusts are little-known and likely to be seen as risky

Part of the problem is that the ISD really does not change much. The sale of open-ended investment funds, or unit trusts as they are known in the UK, has already been regulated by the UCITS (Undertaking for Collective Investment in Transferable Securities) directive. Sales of life insurance products are regulated by various life directives.

Some companies have taken advantage of the new rules to set up operations, often in Luxembourg or Dublin, to sell products across Europe. But their biggest success has been in selling to expatriates or to so-called "mobile executives", who have an interest in holding investments outside either their home or working country. Although often lucrative, this market is small.

The problem in attacking the mass market is distribution. In most of Europe, customers buy financial products through the banks, or their insurance companies; independent financial advisers are fairly rare. Investors are used to fairly straightforward, safe, but low-yielding, investments; on the continent, inflation has not taken the same toll on bank deposits that it has in the UK. The likes of unit trusts are little-known and likely to be perceived as risky.

A group whose name is unknown overseas will have little chance of success in trying to break into a market with a new product: setting up a distribution system from scratch would be prohibitively expensive.

Although Fidelity, the giant US fund management group, has sold equity products in Germany, it has the advantage of relatively big-name status and of operating close to the high end of the market.

Europe-wide products cannot really be sold to the retail investor until tax systems are integrated. Take, for example, a product such as the endowment mortgage. This grew out of the special circumstances of the UK, where, until 1984, interest payments and life insurance premiums were subject to relief. The same reliefs do not apply in, say, Belgium or Spain.

According to Mr Keith Bedell-Pearce of the Prudential: "From the customers' point of view, local taxation and local security systems will determine whether they want to buy something."

A prime example is pensions. Generous state or corporate benefit systems have prevented the development of a personal pension system in many European countries. The costs of providing these systems is rising sharply, and reform is likely; nevertheless, it will take a while before individuals are convinced that they need to provide for their futures via a packaged pension product.

Another obstacle to European integration may be the perceived need of firms to consolidate in the domestic market, rather than expand abroad.

"Our main focus is in the UK. There is so much to deal with in our own market, in terms of regulation, without thinking of Europe," says Mr John Cole, managing director of the financial advisers, Berry Birch and Noble.

Mr Cole eventually expects to see firms of his size expanding into Europe via co-operative links with other groups.

So far, for UK advisers, the main impact of the ISD is the effect of the capital adequacy rules, which are a big handicap for the small one- and two-man firms that constitute a large chunk of the industry.

The ISD may be a useful stick with which financial services companies can beat recalcitrant regulators into agreeing their applications. However, a lot more changes will be needed before the dream of a single market for financial products for the retail investor can be realised.

CURRENCIES AND MONEY

MARKETS REPORT

Perky sterling weathers Scott report

By Philip Gawith

Sterling yesterday rallied sharply in the wake of the release of the Scott report with early assessments indicating that the government would emerge relatively unscathed.

The pound jumped by over half a pfennig, and a half cent, against the D-Mark and the dollar, before steadying. It closed in London at DM2.2623, from DM2.2603, and at $1.5377, from $1.5385.

Japanese interest rate markets were the other main focus of attention following comments from Mr Wataru Kubo, the finance minister, which were taken to mean that Japanese interest rates might be raised. The September euroyen contract on the Simex futures exchange in Singapore fell to 98.82, from a previous settlement of 98.99, before rallying to finish at 98.91.

Talk of higher interest rates boosted the yen, which finished at Y106.11 against the dollar, from Y106.805.

In Europe the main event was the Bundesbank council meeting, where official rates were left unchanged, while the repo rate was fixed at 3.3 per cent for a further two weeks. The D-Mark was generally steady.

The lira continued to suffer from the political vacuum in the country, and fell to L1,086 against the D-Mark at one stage before recovering to finish at L1,080.

The dollar held up well in the face of a firmer D-Mark, finishing at DM1.4713, from DM1.4692.

■ The European trading day started off with markets trying to assess the import of Mr Kubo's comments. The context in which he spoke is important; his reason for saying that there was a case for higher rates was not because the economy was overheating, but because he wished to alleviate the hardship pensioners, who are reliant on interest income, are experiencing.

Mr Keith Edmonds, chief analyst at IBJ International in London, said it was also relevant that Mr Kubo was a socialist politician within a cabinet dominated by the Liberal Democratic party.

He added: "The Bank of Japan is fairly independent in these matters and the Japanese financial system needs a sustained period of low rates to rebuild balance sheets."

Mr Edmonds said the signs of a recovery in Japan, were still tentative. "I don't think we are likely to see the BOJ follow through," he said.

A rise in Japanese interest rates would have a seismic impact on financial markets, equivalent to when the US Federal Reserve raised interest rates in February 1994, bringing to an end a long period in which cheap US money propped up markets globally. Japan, and the BOJ, are now in an analogous position.

Mr Stephen Lewis, analyst at the London Bond Broking company, said Mr Kubo's comments "mark a major turning point for global financial markets." He went on: "The Japanese debate on interest rate policy is likely to push up market rates as participants build in a larger risk factor against the chance of a tightening in official policy.

"It will no longer look like a one-way option to borrow yen at virtually no cost and reinvest the proceeds almost anywhere. The speculative element in global capital markets is ebbing away."

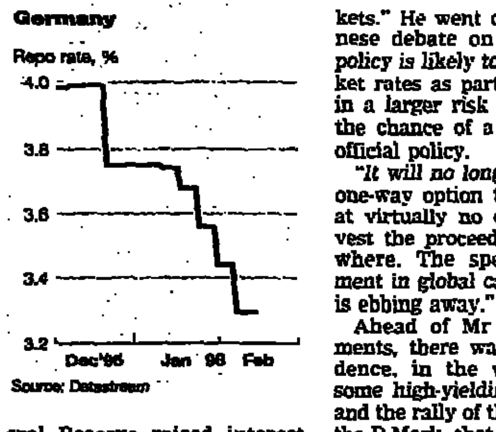
Ahead of Mr Kubo's comments, there was already evidence, in the weakening of some high-yielding currencies, and the rally of the yen against the D-Mark, that some of these trades were starting to unwind.

■ Currency markets were impressed by the British government's robust response to the release of the Scott report. "It was a bravura performance – there's no denying it," said Mr Chris Furness, currency analyst at IDEA in London. "It looks like sterling has got away with it completely.

While sterling avoided heavy selling pressure in the run-up to the report, the risk element capped its rally. Now, said Mr Furness, the outlook was bullish. He said he could see sterling rally to DM2.28.

Mr Steve Barrow, economist at Chemical Bank in London, was cautious about the outlook for sterling. "The discrepancy between UK and European economies could work to the advantage of the pound, but we fear that such a discrepancy could quickly cause trade problems, and hence are not enthusiastic about the view that relatively strong UK growth will lift the pound against the D-Mark."

Germany



Source: Datastream

■ Pound in New York

Feb 15	Latest	Prev. close
£ spot	1.5380	1.5420
1 mth	1.5368	1.5406
3 mth	1.5345	1.5385
1 yr	1.5225	1.5257

■ OTHER CURRENCIES

Feb 15	£	$
Czech Rp	41.5086 - 41.5429	27.0010 - 27.0110
Hungary	217.805 - 217.981	141.680 - 141.730
Iran	4614.00 - 4611.90	3000.00 - 3000.00
Kuwait	0.4593 - 0.4602	0.2988 - 0.2992
Poland	3.9109 - 3.9157	2.5440 - 2.5460
Russia	7359.33 - 7360.59	4785.00 - 4788.00
U.A.E.	5.6454 - 5.6485	3.6723 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.9117	+0.0171	049 - 185	15.9185	15.8403	15.8817	2.3	15.7992	2.8	-	-	108.3
Belgium	(BFr)	46.5293	+0.0427	880 - 706	46.5706	46.3370	46.4193	2.8	46.1943	2.9	45.2943	2.7	108.6
Denmark	(DKr)	8.7486	+0.0017	443 - 528	8.7526	8.7165	8.7359	1.7	8.7104	1.7	8.6104	1.6	109.6
Finland	(FM)	7.0755	+0.0108	697 - 813	7.0910	7.0550	7.0711	0.7	7.063	0.7	-	-	84.0
France	(FFr)	7.7939	+0.0037	907 - 958	7.7958	7.7611	7.7814	1.8	7.7597	1.7	7.6738	1.5	109.3
Germany	(DM)	2.2623	+0.002	614 - 632	2.2633	2.2519	2.2569	2.9	2.2463	2.8	2.2041	2.6	110.9
Greece	(Dr)	374.195	+1.275	841 - 549	374.549	371.482	-	-	-	-	-	-	66.0
Ireland	(I£)	0.9713	-0.0021	705 - 721	0.9750	0.9703	0.9703	1.2	0.9687	1.1	0.9633	0.8	98.1
Italy	(L)	2442.94	+13.65	200 - 385	2446.53	2436.62	2450.69	-3.8	2465.29	-3.7	2522.79	-3.3	72.6
Luxembourg	(LFr)	46.5293	+0.0427	880 - 706	46.5706	46.3370	46.4193	2.8	46.1943	2.9	45.2943	2.7	108.6
Netherlands	(Fl)	2.5326	+0.002	316 - 335	2.5385	2.5221	2.5265	2.9	2.513	3.1	2.4616	2.8	108.7
Norway	(NKr)	9.8845	+0.0021	807 - 883	9.9380	9.8515	9.8778	0.8	9.8636	0.8	9.8044	0.8	99.2
Portugal	(Es)	235.368	+0.393	222 - 514	236.113	234.285	235.793	-2.2	236.698	-2.3	-	-	95.4
Spain	(Pta)	190.738	+0.339	625 - 850	190.850	189.810	191.183	-2.8	192.003	-2.7	195.228	-2.4	82.2
Sweden	(SKr)	10.7005	-0.0019	904 - 106	10.7259	10.6605	10.7023	-0.2	10.7056	-0.2	10.7162	-0.1	84.8
Switzerland	(SFr)	1.8453	+0.0002	441 - 464	1.8464	1.8376	1.8385	4.4	1.8255	4.3	1.7754	3.8	114.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.2
Ecu		1.2324	+0.0004	317 - 330	1.2330	1.2289	1.2309	1.4	1.2278	1.5	1.2149	1.4	-
SDR†		1.052900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5374	-0.0008	370 - 378	1.5416	1.5336	-	-	-	-	-	-	-
Brazil	(R$)	1.5129	+0.004	124 - 134	1.5180	1.5085	-	-	-	-	-	-	-
Canada	(C$)	2.1201	+0.0006	192 - 209	2.1278	2.1153	2.1185	0.9	2.1154	0.9	2.1039	0.8	83.3
Mexico	(New Peso)	11.5247	-0.0529	144 - 350	11.5592	11.5010	-	-	-	-	-	-	-
USA	($)	1.5377	-0.0008	373 - 380	1.5419	1.5344	1.5365	0.9	1.5342	0.9	1.5218	1.0	98.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0349	+0.0014	337 - 360	2.0431	2.0314	2.0368	-1.1	2.0408	-1.2	2.0597	-1.2	88.4
Hong Kong	(HK$)	11.8899	-0.007	864 - 934	11.9235	11.8651	11.882	0.8	11.8686	0.7	11.8172	0.6	-
India	(Rs)	56.1319	-0.0139	807 - 831	56.7200	56.0520	-	-	-	-	-	-	-
Israel	(Shk)	4.7803	-0.0077	756 - 850	4.7901	4.7718	-	-	-	-	-	-	-
Japan	(Y)	183.160	-1.154	077 - 243	183.930	182.540	182.41	5.5	180.895	5.8	154.76	5.1	137.0
Malaysia	(M$)	3.9103	-0.0012	088 - 119	3.9193	3.9024	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2761	-0.0029	744 - 778	2.2835	2.2705	2.2797	-1.9	2.2872	-1.9	2.3167	-1.8	106.1
Philippines	(Peso)	40.1788	-0.0748	235 - 341	40.2341	40.1235	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7669	-0.0031	652 - 686	5.7826	5.7551	-	-	-	-	-	-	-
Singapore	(S$)	2.1731	-0.0022	722 - 740	2.1781	2.1689	-	-	-	-	-	-	-
South Africa	(R)	5.6301	+0.0216	273 - 329	5.6428	5.6078	-	-	-	-	-	-	-
South Korea	(Won)	1196.21	-1.4	587 - 656	1200.22	1193.76	-	-	-	-	-	-	-
Taiwan	(T$)	42.2239	-0.0158	068 - 412	42.3329	42.1423	-	-	-	-	-	-	-
Thailand	(Bt)	38.8180	-0.0587	938 - 422	38.9250	38.7440	-	-	-	-	-	-	-

† Rates for Feb 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3481	+0.0165	460 - 501	10.3501	10.2950	10.3321	1.9	10.2981	1.9	10.1781	1.6	106.9
Belgium	(BFr)	30.2600	+0.0435	400 - 800	30.2800	30.1150	30.21	2.0	30.11	2.0	29.765	1.6	108.2
Denmark	(DKr)	5.6896	+0.0041	881 - 910	5.6910	5.6640	5.6854	0.9	5.6771	0.9	5.6971	-0.1	108.9
Finland	(FM)	4.6015	+0.0094	988 - 042	4.6144	4.5835	4.597	1.2	4.5885	1.1	4.572	0.6	83.3
France	(FFr)	5.0683	+0.005	678 - 688	5.0698	5.0409	5.0641	1.0	5.0568	0.9	5.0398	0.6	103.9
Germany	(DM)	1.4713	+0.0021	710 - 715	1.4723	1.4627	1.469	1.9	1.4643	1.9	1.4485	1.5	110.3
Greece	(Dr)	243.355	+0.955	180 - 530	243.540	241.360	244.88	-7.5	247.98	-7.6	262.655	-7.9	65.6
Ireland	(I£)	1.5831	+0.0025	821 - 841	1.5869	1.5787	1.5836	-0.3	1.5839	-0.2	1.577	0.4	-
Italy	(L)	1588.75	+8.7	850 - 900	1593.60	1582.45	1595.1	-4.8	1606.85	-4.6	1657.75	-4.3	72.5
Luxembourg	(LFr)	30.2600	+0.0435	400 - 800	30.2800	30.1150	30.208	2.1	30.12	1.9	29.815	1.5	108.2
Netherlands	(Fl)	1.6471	+0.0022	468 - 473	1.6518	1.6389	1.6441	2.2	1.6376	2.3	1.6154	1.9	108.2
Norway	(NKr)	6.4283	+0.0047	273 - 293	6.4700	6.4002	6.4261	0.4	6.4178	0.7	6.4008	0.4	98.4
Portugal	(Es)	153.070	+0.335	010 - 130	153.300	152.190	153.445	-2.8	154.215	-3.0	157.82	-3.1	95.5
Spain	(Pta)	124.045	+0.285	000 - 090	124.090	123.400	124.44	-3.8	125.175	-3.6	128.665	-3.7	82.0
Sweden	(SKr)	6.9590	+0.0024	540 - 640	6.9664	6.9278	6.976	-2.9	7.0055	-2.7	7.143	-2.6	84.0
Switzerland	(SFr)	1.2001	+0.0008	996 - 005	1.2005	1.1930	1.1965	3.6	1.1896	3.5	1.1658	2.9	113.3
UK	(£)	1.5377	-0.0008	373 - 380	1.5419	1.5344	1.5365	0.9	1.5342	0.9	1.5218	1.0	83.5
Ecu	-	1.2478	-0.001	474 - 481	1.2527	1.2465	1.2481	-0.3	1.2485	-0.2	1.2491	-0.1	-
SDR†	-	0.68380	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	0.9839	+0.0031	838 - 840	0.9845	0.9814	-	-	-	-	-	-	-
Canada	(C$)	1.3788	+0.0011	785 - 790	1.3803	1.3781	1.379	-0.1	1.3791	-0.1	1.3841	-0.4	82.6
Mexico	(New Peso)	7.4950	-0.0305	900 - 000	7.5000	7.4900	7.4973	-0.4	7.5004	-0.3	7.5053	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3233	+0.0016	229 - 238	1.3239	1.3251	1.3253	-1.8	1.3288	-1.7	1.3475	-1.8	89.9
Hong Kong	(HK$)	7.7325	-0.0005	320 - 330	7.7333	7.7320	7.7332	-0.1	7.735	-0.1	7.762	-0.4	-
India	(Rs)	36.5050	+0.01	800 - 300	36.8550	36.4800	36.655	-4.9	36.96	-5.0	38.43	-5.3	-
Israel	(Shk)	3.1089	-0.0033	065 - 112	3.1121	3.1050	-	-	-	-	-	-	-
Japan	(Y)	106.110	-0.695	080 - 140	106.350	105.570	105.675	4.9	104.875	4.7	101.805	4.1	136.5
Malaysia	(M$)	2.5430	+0.0005	425 - 435	2.5435	2.5420	2.5439	-0.4	2.55	-1.1	2.5735	-1.2	-
New Zealand	(NZ$)	1.4802	-0.0011	795 - 810	1.4810	1.4795	1.4833	-2.5	1.4891	-2.4	1.5137	-2.3	-
Philippines	(Peso)	26.1300	-0.035	000 - 600	26.1600	26.1000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	502 - 507	3.7507	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4133	-0.0007	130 - 135	1.4135	1.4123	1.4098	3.0	1.4038	2.7	1.3783	2.5	-
South Africa	(R)	3.6615	+0.0159	605 - 625	3.6720	3.6448	3.6903	-9.4	3.7418	-8.8	3.965	-8.3	-
South Korea	(Won)	777.950	-0.5	900 - 000	778.300	777.800	780.95	-4.6	784.45	-3.3	802.95	-3.2	-
Taiwan	(T$)	27.4600	+0.004	550 - 650	27.4830	27.4450	27.48	-0.9	27.52	-0.9	-	-	-
Thailand	(Bt)	25.2450	-0.025	350 - 550	25.2600	25.2350	25.3438	-4.7	25.5475	-4.8	26.43	-4.7	-

† SDR rate per $ for Feb 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 14: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.80	16.75	4.861	2.087	5250	5.444	21.24	505.9	409.8	23.00	3.965	2.149	4.556	3.303	350.7	2.648
Denmark	(DKr)	53.19	10	8.908	2.586	1.110	2793	2.896	11.30	269.1	218.0	12.23	2.109	1.143	2.423	1.757	186.6	1.408
France	(FFr)	59.71	11.23	10	2.903	1.246	3135	3.250	12.68	302.1	244.7	13.73	2.368	1.283	2.720	1.972	209.4	1.581
Germany	(DM)	20.57	3.867	3.445	1	0.429	1080	1.120	4.370	104.1	84.31	4.730	0.818	0.442	0.937	0.679	72.15	0.545
Ireland	(I£)	47.92	9.009	8.026	2.330	1	2516	2.609	10.18	242.4	196.4	11.02	1.900	1.030	2.183	1.583	168.1	1.269
Italy	(L)	1.905	0.358	0.319	0.093	0.040	100.	0.104	0.405	9.636	7.806	0.438	0.076	0.041	0.087	0.063	6.680	0.050
Netherlands	(Fl)	18.37	3.454	3.077	0.893	0.383	964.5	1	3.902	92.93	75.29	4.224	0.728	0.395	0.837	0.607	64.43	0.486
Norway	(NKr)	47.07	8.850	7.884	2.288	0.982	2471	2.562	10	238.1	192.9	10.82	1.866	1.012	2.145	1.555	165.1	1.246
Portugal	(Es)	19.77	3.716	3.311	0.961	0.412	1038	1.076	4.199	100.	81.01	4.545	0.784	0.425	0.901	0.653	69.33	0.523
Spain	(Pta)	24.40	4.587	4.087	1.186	0.509	1281	1.328	5.184	123.4	100.	5.611	0.967	0.524	1.112	0.806	85.58	0.646
Sweden	(SKr)	43.48	8.176	7.283	2.114	0.907	2283	2.367	9.236	220.0	178.2	10	1.724	0.935	1.981	1.436	152.5	1.151
Switzerland	(SFr)	25.22	4.741	4.224	1.226	0.526	1324	1.373	5.358	127.6	103.4	5.799	1	0.542	1.149	0.833	88.45	0.668
UK	(£)	46.53	8.748	7.793	2.262	0.971	2443	2.533	9.885	235.4	190.7	10.70	1.845	1	2.120	1.537	163.2	1.232
Canada	(C$)	21.95	4.126	3.676	1.067	0.458	1152	1.195	4.663	111.0	89.95	5.047	0.870	0.472	1	0.725	76.98	0.581
US	($)	30.27	5.690	5.070	1.472	0.632	1589	1.648	6.431	153.2	124.1	6.962	1.200	0.651	1.379	1	106.2	0.802
Japan	(Y)	28.51	5.360	4.775	1.386	0.595	1497	1.552	6.057	144.2	116.9	6.556	1.131	0.613	1.299	0.942	100.	0.755
Ecu		37.77	7.101	6.325	1.836	0.788	1983	2.056	8.024	191.1	154.8	8.685	1.498	0.812	1.721	1.248	132.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6841	0.6811	-0.0030	0.6845	0.6808	27,577	73,141
Jun	0.6872	0.6844	-0.0026	0.6872	0.6842	383	3,965
Sep	-	0.6870	-0.0028	-	0.6870	10	1,413

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8396	0.8361	-0.0038	0.8407	0.8357	17,120	42,114
Jun	0.8455	0.8430	-0.0038	0.8475	0.8429	218	1,926
Sep	-	0.8490	-0.0037	-	0.8490	3	183

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9462	0.9456	-	0.9512	0.9442	15,409	73,690
Jun	0.9563	0.9564	+0.0001	0.9610	0.9563	912	5,546
Sep	-	0.9670	+0.0010	0.9670	-	4	734

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5410	1.5340	-0.0060	1.5420	1.5340	6,934	43,630
Jun	1.5366	1.5334	-0.0032	1.5366	1.5310	26	6,339
Sep	-	1.5270	-0.0058	-	1.5270	3	9

UK INTEREST RATES

LONDON MONEY RATES

Feb 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5¾	6⅛ - 6⅛	6⅛ - 6⅛	6¼ - 6⅛	6⅛ - 6	6⅛ - 6
Sterling CDs	-	-	6¼ - 6⅛	6⅛ - 6⅛	6⅛ - 6	6 - 5⅞
Treasury Bills	-	-	6⅛ - 6⅛	6⅛ - 5⅞	-	-
Bank Bills	-	-	6⅛ - 6⅛	6⅛ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	6⅜ - 6¼	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 6⅛	6⅛ - 5⅞	6⅛ - 5⅞
Discount Market deps	6⅜ - 6	6⅛ - 6⅛	-			

UK clearing bank base lending rate 6¼ per cent from January 18, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.0034pc. ECGD fixed rate Stg. Export Finance. Make up day Jan 31, 1996. Agreed rate for period Feb 26, 1996 to Mar 25, 1996, Schemes II & III 7.69pc. Reference rate for period Dec 30, 1995 to Jan 31, 1996, Schemes IV & V 6.440pc. Finance House Base Rate 6.5pc from February 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.87	93.90	+0.03	93.91	93.87	7987	75162
Jun	94.16	94.20	+0.03	94.21	94.16	18071	94691
Sep	94.14	94.20	+0.04	94.21	94.14	13673	63999
Dec	93.93	93.98	+0.04	94.00	93.92	7717	47017
Mar	93.64	93.70	+0.04	93.70	93.64	3275	32188

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9375	0.18	0.49	0.59	0.03	0.04	0.14
9400	0.04	0.30	0.42	0.14	0.10	0.22
9425	0	0.14	0.27	0.35	0.19	0.32

Est. vol. total, Calls 3785 Puts 11762. Previous day's open int., Calls 149175 Puts 149692

EMS EUROPEAN CURRENCY UNIT RATES

Feb 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.213	+0.172	-2.02	4.86	14
Netherlands	2.15214	2.11427	+0.00015	-1.76	4.36	13
Belgium	39.3960	38.8034	-0.0317	-1.50	4.11	11
Austria	13.4383	13.2682	-0.0098	-1.27	3.86	9
Germany	1.91007	1.88684	-0.00147	-1.23	3.82	12
Denmark	7.28580	7.29962	-0.00814	0.19	2.35	-1
Portugal	195.792	196.316	+0.014	0.27	2.27	-2
France	6.40608	6.50227	-0.00687	1.50	1.03	-13
Ireland	0.792214	0.812362	-0.000177	2.54	0.00	-17
NON ERM MEMBERS						
Greece	292.867	312.356	+0.66	6.65	-3.85	-
Italy	2106.15	2044.42	+11.63	-2.93	5.64	-
UK	0.786652	0.838347	+0.001367	6.32	-3.56	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
1.490	-	-	-	0.01	0.09	0.53
1.500	3.84	3.88	4.16	0.01	0.16	0.76
1.510	2.84	2.99	3.38	0.01	0.28	1.07
1.520	1.89	2.23	2.69	0.01	0.39	1.37
1.530	0.92	1.55	2.12	0.09	0.71	1.86
1.540	0.20	0.99	1.60	0.26	1.16	2.43

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.83	94.83	-0.01	94.84	94.82	27,884	381,495
Jun	95.20	95.20	-0.01	95.21	95.18	50,936	436,052
Sep	95.38	95.37	-0.02	95.38	95.32	46,579	328,965

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.34	95.32	-0.02	95.35	95.32	209	9,604
Jun	95.64	95.64	-0.02	95.65	95.64	292	7,781
Sep	-	95.80	-0.01	-	95.80	37	943

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
9650	0.22	0.23	0.30	0.33	0	0.01	0.08	0.06
9675	0.01	0.04	0.11	0.15	0.04	0.07	0.09	0.13
9700	0	0.01	0.02	0.06	0.28	0.29	0.25	0.28

Est. vol. total, Calls 16306 Puts 6810. Previous day's open int., Calls 331446 Puts 291247

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
9800	0.27	0.27	0.28	0.04	0.16	0.34
9825	0.11	0.14	0.15	0.13	0.28	0.48
9850	0.02	0.05	0.08	0.29	0.44	0.64

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9355 Puts 4272

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs.	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	TSB	6.25
Bank of Baroda	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	Unity Trust Bank Plc	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of India	6.25	Heritable & Gen Inv Bk.	6.25	Yorkshire Bank	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25		
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES

February 15	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	3.00	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.90	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	3.00	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	9.72
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-

■ $ LIBOR FT London Interbank Fixing; US Dollar CDs; ECU Linked Ds; SDR Linked Ds [illegible]

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.36	95.36	-0.07	95.38	95.32	20,608	51,881
Jun	95.60	95.52	-0.07	95.54	95.47	11,001	57,484
Sep	95.54	95.55	-0.07	95.57	95.52	4,457	48,541

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.71	96.72	-0.01	96.74	96.70	31049	176237
Jun	96.77	96.77	-0.02	96.79	96.74	39700	166131
Sep	96.66	96.66	-0.02	96.68	96.64	25280	174708
Dec	96.40	96.42	-0.01	96.44	96.38	19786	153313

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.00	89.98	-0.20	90.02	89.86	16741	40500
Jun	90.65	90.54	-0.20	90.65	90.44	13222	31268
Sep	90.89	90.89	-0.17	90.92	90.81	2551	19353
Dec	90.98	90.97	-0.16	91.02	90.90	1537	11639

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.21	98.23	-	98.27	98.21	3135	22640
Jun	98.08	98.11	+0.02	98.14	98.07	4566	22611
Sep	97.95	97.94	+0.04	97.95	97.89	2610	12535
Dec	97.66	97.64	-0.01	97.69	97.60	1610	8278

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.37	95.39	-0.02	95.39	95.35	1297	8636
Jun	95.49	95.52	-0.04	95.53	95.49	711	4383
Sep	95.50	95.51	-0.00	95.51	95.48	355	2927
Dec	95.31	95.32	-0.05	95.32	95.30	145	3058

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
8975	0.36	0.99	1.42	0.15	0.20	0.28
9000	0.22	0.79	1.19	0.28	0.25	0.30
9025	0.13	0.62	1.02	0.42	0.33	0.36

Est. vol. total, Calls 3230 Puts 320. Previous day's open int., Calls 2382 Puts 18158

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		525xd	+5	568	476½	5,438	5.6	19.0
Bulmer (HP)		594xd	—	558	398	292.5	2.8	17.4
Burn St Dist		120	—	148	99	71.2	5.2	25.8
Grand Met		458xd	+8	487	361	9,548	4.1	19.6
Guinness		459½	+3	538	404	9,248	3.9	14.2
Highland		335	—	406	315	446.2	2.9	15.2
Kirin Y		778¼	+1	806	621	8,176	0.8	30.2
Macallan-Glen		180	—	217	157	187.6	1.0	35.5
Macdon Martin A		643	—	690	600	88.1	2.1	18.1
Matthew Clark		674xd	+9	696	540	594.5	4.1	–
Merrydown		107	—	140	68	11.7	2.3	–
Seagram S		£23⅞	–¼	£25⅞	£16⅞	6,459	1.2	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		50¼	—	99	50¼	6.31	19.8	–
Cater Allen		477	—	525	418	155.5	7.9	7.9
Close Bros		391	+5	370	227	440.8	3.0	16.0
Gerrard & Nat		431	–5	472	395	210.3	6.5	13.9
Hambros		205	+2	243	180	362.4	4.6	–
7½pc Cv Pf		101	—	107½	94	130.1	9.3	–
Joseph (L.)		450	—	463	353	23.8	5.2	15.5
King & Shaxson		159	—	165	85	42.8	7.1	12.4
Rea Brothers		60	—	67	44	20.0	2.1	24.0
Schroders		1283	+8	1478	906¼	1,907	1.4	18.0
N/V		1013	+5	1180	823¼	443.7	1.7	14.4
Singer & Fried		112	+3	112	81	221.1	4.1	11.6

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

PAPER, PACKAGING & PRINTING

MEDIA

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£30½		£34½	£29	2,098	2.8	15.0
Barlow		£10⅛	+⅛	£10⅞	£5⅞	2,016	1.5	ϕ
Gold Flds Prop R		162		178	138	18.6	6.6	7.2
NK Props		85		98	85	3.82	11.9	–
SASOL		545		648	475	3,191	2.5	–
SA Brews		£25⅛		£28⅛	£14⅞	7,492	1.4	34.1
Standard Bank		£31⅛		£32⅞	£20⅞	3,767	1.5	21.6
Tiger Oats		1262		1270	775	1,898	1.5	ϕ
Tongaat-Hulett	†	1157		1347	838	1,086	1.7	21.9

TOBACCO

TRANSPORT

OIL EXPLORATION & PRODUCTION

PHARMACEUTICALS - Cont.

	Notes	Price	+ or –	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Ransom (Wm)		56	–1	60	44	8.79	4.7	12.7
Schering DM		£46⅞			£41⅛	3,178	1.5	–
Scotia		620	+10	716	333	481.3	–	–
SmithKline Beecham A		735	+6½	737	477	10,290	2.3	21.8
Equity Units		727	+5	731	450	9,923	2.3	21.6
Zeneca		1290	+9	1337½	840	11,922	2.8	25.7

RETAILERS, GENERAL - Cont.

INVESTMENT COMPANIES

PROPERTY

OIL, INTEGRATED

SUPPORT SERVICES

WATER

AIM

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xδ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Pvt Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000
[illegible]
Prices for dealing February 15

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1256, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd
[illegible]

Newport Investment Management
73 Front Street, Hamilton, Bermuda
UK: 0171 336 8095 Dealing: 01481 728800
[illegible]

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 441 292 6370
Orion Feb 8 $27.81

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.
[illegible]
Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021
[illegible]

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651
[illegible]

GUERNSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gr's

ANZ Mngmt Co (Guernsey) Ltd
Emerging Mkt Used to Pfolio [illegible]

Apollo Investment Management Ltd
[illegible]

Arab Bank Fund Managers (Guernsey) Ltd
[illegible]

BZW Asset Management Guernsey Ltd
Japan Index Fund Y2517 2544

Bachmann Global Investment Fund Ltd
[illegible]

CIBC Fund Managers (Guernsey) Ltd
[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

[illegible]

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie just fails in attempt at new closing high

By Steve Thompson, UK Stock Market Editor

Publication of the Scott report into the "Arms to Iraq" scandal was greeted with sighs of relief around the City's trading rooms. The report, which has cast a shadow over UK market for some time, was viewed by market observers as not as damaging to the government as had been feared.

The relief over the Scott report, combined with more good inflation news, confirmation of Rentokil's interest in bidding for BET, and a dawn raid on Yorkshire Tyne Tees Television by Granada, helped share prices to forge ahead.

Such was the market's enthusiasm that the FT-SE 100 index came within 1.5 points of its all-time closing high and 2.8 of its intra-day peak. It ended a drama filled session bursting with strength, and a net 34.8 ahead at 3,779.8.

Buying interest was not confined to the leaders; the second liners, which have outpaced the Footsie in recent sessions, made renewed progress, with the FT-SE Mid 250 index climbing 27.4 to a fresh peak of 4,189.1.

London's performance was all the more impressive since it took place as Wall Street faltered after a firm opening. The Dow Jones Industrial Average, up 12 points in early trading, was down seven points an hour after London closed for business.

The head trader at one broker said he expected London to build on its excellent performance, noting that this morning's expiry of FT-SE 100 options could be pinned at 3,800.

He said sizeable sums were being pushed into the market and that aggressive funds were trying to pin down the next takeover stocks. "The feeling is increasing that any companies looking to make acquisitions will have to speed up their search and move pretty quickly if they do not want to get caught up in a potential election; they will be better off bidding sooner rather than later," he said.

Other dealers said recent fears that the March reporting season would bring a series of disappointments had also been overplayed.

There was also a growing expectation among marketmakers that March could bring another round of global interest rate cuts, including the UK, the US and Germany.

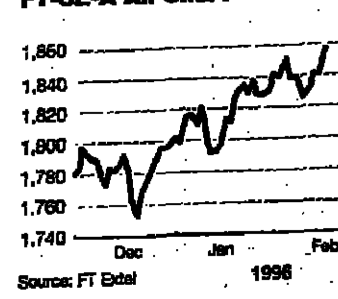
The Footsie opened marginally easier after the modest setback on Wall Street overnight, where the Dow was off 21 points. News of the dawn raid on Yorkshire Tyne Tees TV by Granada, and a fresh burst of takeover speculation, particularly in BET, saw the market gather itself and race higher for the rest of the session.

Bank stocks advanced strongly after encouraging results from Cheltenham & Gloucester, the building society acquired by Lloyds TSB, and National & Provincial, now controlled by Abbey National. Lloyds TSB reports preliminary figures this morning.

Composite insurances brushed aside a number of downgrades, closing sharply higher on the session. The best Footsie performer was Ladbroke, long viewed as a potential target for Bass.

Trading volume reached 906.7m shares, which should see the value of customer business top £2bn. Wednesday's retail activity was worth £1.97bn.

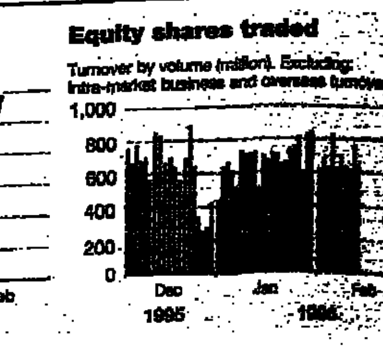
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3779.8	+34.8
FT-SE Mid 250	4189.1	+27.4
FT-SE-A 350	1882.1	+16.2
FT-SE-A All-Share	1856.23	+15.19
FT-SE-A All-Share yield	3.72	(3.73)

FT Ordinary Index	2763.8	+25.1
FT-SE-A Non Fins p/e	17.81	(17.48)
FT-SE 100 Fut Mar	3784.0	+38.0
10 yr Gilt yield	7.84	(7.85)
Long gilt/equity yld ratio:	2.18	(2.17)

Best performing sectors

1	Banks, Retail	+2.3
2	Electronic & Elec	+1.4
3	Leisure & Hotels	+1.4
4	Media	+1.2
5	Transport	+1.2

Worst performing sectors

1	Oil, Integrated	-1.1
2	Mineral Extraction	-0.7
3	Gas Distribution	-0.4
4	Household Goods	-0.2
5	Extractive Inds	+0.0

Media sector crackles

Domino theorists applied their skills to the media sector as Granada launched a dawn raid on Yorkshire Tyne Tees Television yesterday.

Granada has boosted its stake in Yorkshire Tyne Tees TV from 15 per cent to just under 25 per cent but has "warehoused" a chunk of the shares with a third party, as it is allowed to hold no more than 20 per cent under current broadcasting rules.

The theory is that Granada's move pushes Carlton Communications into a position whereby its only option is to launch a knock-out takeover bid for MAI.

Analysts said United News & Media, which last week announced its intention to merge with MAI, has spent the intervening period defending the move to institutions. Carlton fell 17 to 1029p, while MAI jumped 24 to 446p, United rose 7 to 639p, Granada put on 9½ at 734½ and YTT appreciated 150 to 1017p.

Meanwhile, the idea that other television groups would be soon targeted ensured that Scottish Television climbed 57 to 685p.

Lower down the media chain, consolidation hopes pushed radio stocks higher. USM-quoted GWR was lifted 14 to 225p, Capital 10 to 651p and Golden Rose 11 to 64p as the Guardian newspaper group increased its stake from 11 per cent to 14.4 per cent.

Finally, Pearson – the media conglomerate which owns the Financial Times – jumped 27 to 706p on little rationale apart from its perceived status as a takeover target in a sector that is under close scrutiny.

BET bid approach

City bid fever was given added impetus yesterday when support services groups Rentokil and BET rushed to opposite ends of their respective Footsie rankings following news of a bid approach from Rentokil.

Up 10½ on Wednesday on hot talk of a Rentokil bid, BET surged a further 34½ to 184½p on the announcement that Rentokil had approached BET with a view to making a recommended takeover. In contrast, Rentokil closed 26 off at 338½p. Both stocks hit recent volume records, BET saw 48m shares dealt and Rentokil 24m.

The snap reaction from sector analysts was that any agreed deal was unlikely to be struck much below 200p, at which price a takeover would still be earnings enhancing for Rentokil.

But a number of brokers urged caution given that BET's market value is around half that of Rentokil. Until now, the latter's takeover strategy has been aimed exclusively at relatively modest bolt-on deals.

Furious two-way trading drove Shell Transport as the company matched very disappointing figures with the biggest dividend increase in more than a decade.

Trading was further complicated by very heavy switching between Shell and the Royal Dutch side of the business.

The day began with an intake of breath as Shell announced fourth-quarter current cost net income of £851m, compared with analysts' forecasts of between £1.03bn and £1.30bn.

Then, the company revealed a full-year dividend that represented 70 per cent of earnings. Described by Mr John Toalster of SGST as a "powerful pain killer to appalling fourth-quarter figures", it sent the shares back up again.

Subsequently, Royal Dutch fell sharply in the Netherlands and the US. ABN Amro Hoare Govett moved it to a hold in Holland and recommending switching into Shell in London.

Although the stance is positive for Shell, there is a strong arbitrage between the two sides of the company and the slide in Royal Dutch dragged Shell lower to finish a net 12½ down at 869p with turnover reaching 19m shares.

Bid speculation returned to hotels and leisures group Ladbroke yesterday sending the stock sharply ahead. The shares put on 8 to end the day at 181p, the best performer in the Footsie. Turnover was a busy 15m.

Once again, it was drinks and hotels group Bass that was mentioned as the most likely predator. Dealers also pointed to the heavy dealing in Ladbroke stock options as a further sign of likely corporate activity. By the close of the session, some 2,241 lots had been dealt in the sector, the equivalent of around 2.2m shares.

Ladbroke has been a bid candidate over the last four months and Granada's successful bid for Forte only served to encourage the speculation. Shares in Bass closed just a penny ahead at 748p.

Yorkshire Electricity crackled forward 17 to 733p on speculation that Scottish Hydro was taking a close look at the company. Hydro eased a penny to 340p.

GEC and British Aerospace met with strong demand following a press report that the two groups had been actively discussing a merger of their defence operations.

The electronics giant added 9¼ to 375¼p, in traded, for a four day improvement of 5 per cent. BAe, which announces 1995 results at the end of the month, closed 13 better at 837p.

Little more than 300p in December, GEC has been one of the London market's more spectacular recovery stories. The driving force has mostly been hopes for mould breaking management changes.

A recent buy note from Robert Fleming Securities expects a successor to managing director Lord Weinstock to be announced by the spring. The broker predicts that new management will move rapidly to streamline GEC into five core divisions.

An investor presentation by Kleinwort Benson and a UBS note on the merits of airport stocks got behind BAA. The shares jumped 12 to 509p in above average volume of 10m.

British Airways also found favour, adding 8 to 510p as a number of tentative merger rumours did the rounds. BA's name has been linked to American Airlines and also KLM. Lehman Brothers put out a note extolling the virtues of a deal with the Dutch airline.

P&O moved ahead 5 to 549p, for a two-day gain of 14, as market talk shifted from the possibility of a bid for the group to the prospect of a big property disposal.

The firm market trend encouraged buying of several retail stocks. Hopes on UK interest rates were also said to have been another boost to the sector.

The list of those in demand included Great Universal Stores, where the shares appreciated 9 to 709p, after trade of 3.7m, while Kingfisher shrugged off recent weakness to close 6½ ahead at 521p. Marks and Spencer, about which UBS turned more positive this week when it removed the stock from the sell list, was a particularly busy trade. Volume reached 8.1m as the shares gained 4½ to 482½p.

Burton was one of the most active trades in the sector yesterday. Volume rose to 15m, with a single trade of 5m done at 130.5m included in the total. The shares put on 3 to 132½p.

Shire Pharmaceuticals had a sparkling stock market debut yesterday. Placed at 175p, the shares started trading at 210p and ended 8 up at 218p with 6.9m changing hands.

Clyde Petroleum lifted 2 to 60p as Merrill Lynch put the stock on its buy list. The broker believes a spate of astute acquisitions gives an asset valuation of 70.5p a share and a fair value of 67p a share.

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Feb 15	Feb 14	Feb 13	Feb 12	Feb 9	Yr ago	*High	*Low
Ordinary Share	2763.8	2738.7	2749.7	2736.3	2727.7	2322.8	2788.2	2238.3
Ord. div. yield	3.81	3.84	3.81	3.82	3.84	4.55	4.73	3.76
P/E ratio net	17.25	17.12	16.96	16.89	16.84	17.40	21.33	15.55
P/E ratio nil	17.03	16.90	16.75	16.68	16.63	16.57	22.21	15.17

*For 1995/96 Ordinary Share index since compilation: high 2788.2 16/01/96; low 49.4 26/6/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2735.9	2746.0	2751.3	2752.4	2754.9	2759.5	2756.0	2756.9	2761.2	2763.8	2735.8

	Feb 15	Feb 14	Feb 13	Feb 12	Feb 9	Yr ago
SEAQ bargains	33,807	31,852	31,795	32,314	30,926	22,122
Equity turnover (£m)†	-	1974.2	2064.8	1565.0	2003.7	1484.0
Equity bargains†	-	37,036	37,247	39,482	33,616	30,990
Shares traded (mil)†	-	648.4	799.1	622.2	643.0	647.9

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	694	Total Highs	110	Total contracts	41,899
Total Falls	442	Total Lows	21	Calls	24,078
Same	1,655			Puts	17,821

Feb.15 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3742.0	3784.0	+38.0	3789.0	3740.0	11437	60920
Jun	3744.0	3788.5	+38.0	3779.0	3744.0	328	5036
Sep		3804.0	+38.0			0	267

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4200.0	+25.0			0	3811

■ FT-SE 100 INDEX OPTION (LIFFE) (*3777) £10 per full index point

	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P
Feb	183	1	133	1	83	1	34	2	3½	23	1	73	1	123	1	172
Mar	190	7½	146	12½	104½	21½	68½	38	40	58½	20	90½	9	133½	3½	183
Apr	193	20½	153½	30½	117½	44	87	63	61½	87	40	118½	25½	152	16	190
May	213½	35	178½	46	141½	62	110½	80	83	103½	59	129½	42	163½	28	200
Jun†	227½	44½			158	73			101	115½			59½	175		

Calls 6,898 Puts 4,108

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P
Feb	158	1	108	1	58	1	15	7	½	42½	½	92	½	142	½	192
Mar	165	6½	121½	13	83	24	50½	42	27½	68	13	103½	6	145½	2	191½
Apr	177	28	139½	40	105½	56	76½	76	53½	102	35½	133½	22	170	13	210½
Jun	215½	55½			146	83			99	125½			63½	187		
Sept†	252½	80			188½	110½			132½	153			92	208½		

Calls 4,876 Puts 2,661 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1995/96 High	1995/96 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	6.28	6½	5¾	†Ballynatray	6		-	-	-	-
122	F.P.	24.4	125	115	Century Inns	122	+1	-	-	-	-
7½	F.P.	19.6	8½	8	Clubhaus	8		v-	-	-	14.8
-	F.P.	3.36	5½	3¾	Do Warrants	3¾	-1¼	-	-	-	-
-	F.P.	13.1	90	70	†Dnatek	70	-1	-	-	-	-
-½	F.P.	15.5	15	11	Ex-Lands	14		Lv0.6	-	4.5	0.6
-	F.P.	3.20	13½	9	Do Warrants	9		-	-	-	-
80	F.P.	34.9	68	64	MediaKey	64	-1	Lv0.98	-	1.9	-
-	F.P.	0.13	8	8	†Nthn Prim Wts	8		-	-	-	-
-	F.P.	16.5	71	68	†Optical Care	71	+1	-	-	-	-
-	F.P.	1.13	105	100	†Revelation P'dilly	105		-	-	-	-
54	F.P.	3.29	60	53	†Self Sealing Syst	53		-	-	-	-
175	F.P.	132.7	221	198	Shire Pharms	218		-	-	-	-
-	F.P.	1.29	9	6	†SkyePharma Wts	9	+½	-	-	-	-
-	F.P.	5.55	205	125	†Viewcon	185	-5	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Feb 14	% chg on day	Feb 13	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	2400.59	+2.7	2338.37	1701.33	1.41	-	2520.73	1698.31
■ Regional Indices								
Africa (16)	3232.31	+2.1	3165.69	2679.09	2.80	35.84	3553.86	2272.74
Australasia (5)	2738.49	+1.9	2687.38	1855.18	2.13	41.90	2927.34	1831.05
North America (12)	2115.04	+3.1	2052.22	1391.18	0.64	63.85	2166.39	1391.18

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FT-SE Actuaries Share Indices — The UK Series

	Feb 15	Day's chge%	Feb 14	Feb 13	Feb 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3779.8	+0.9	3745.0	3747.6	3726.6	3051.1	3.85	2.00	16.23	9.81	1514.93
FT-SE Mid 250	4189.1	+0.7	4161.7	4160.3	4162.2	3438.7	3.50	1.74	20.57	23.80	1659.50
FT-SE Mid 250 ex Inv Trusts	4198.5	+0.7	4168.9	4167.1	4159.4	3450.5	3.64	1.79	19.25	25.14	1665.13
FT-SE-A 350	1882.1	+0.9	1865.9	1866.7	1857.8	1525.3	3.78	1.95	16.99	6.12	1544.13
FT-SE-A 350 Higher Yield	1884.8	+1.0	1865.4	1868.3	1858.9	1554.6	4.62	1.80	15.04	6.55	1283.41
FT-SE-A 350 Lower Yield	1884.3	+0.7	1871.3	1870.0	1863.6	1495.7	2.88	2.20	19.72	5.69	1290.41
FT-SE SmallCap	2036.56	+0.3	2033.26	2030.36	2028.54	1715.84	3.08	1.82	22.25	3.85	1651.30
FT-SE SmallCap ex Inv Trusts	2012.95	+0.3	2006.77	2003.72	2001.84	1693.63	3.30	1.91	19.80	3.95	1639.39
FT-SE-A ALL-SHARE	1856.23	+0.8	1841.04	1841.65	1833.33	1508.39	3.72	1.94	17.30	5.85	1547.15

■ FT-SE Actuaries All-Share

	Feb 15	Day's chge%	Feb 14	Feb 13	Feb 12	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3285.75	-0.7	3310.55	3304.22	3293.58	2648.21	3.94	1.51	20.99	0.00	1382.67
12 Extractive Industries(6)	4266.83	.....	4265.56	4294.99	4240.12	3384.51	3.72	2.39	14.05	0.00	1223.51
15 Oil, Integrated(3)	3325.66	-1.1	3361.06	3355.07	3351.69	2668.60	4.15	1.35	22.24	0.00	1434.62
16 Oil Exploration & Prod(15)	2174.87	+0.8	2157.76	2111.24	2096.69	1912.63	2.26	1.46	37.88	0.00	1290.93
20 GEN INDUSTRIALS(276)	2034.41	+0.8	2018.12	2025.61	2019.39	1811.81	4.06	1.87	16.48	1.99	1093.46
21 Building & Construction(34)	1061.85	+0.8	1053.91	1053.65	1054.92	936.55	3.77	2.09	15.84	0.36	875.15
22 Building Matls & Merchs(28)	1906.59	+0.8	1892.21	1897.85	1891.38	1717.27	3.93	2.03	15.67	0.61	946.53
23 Chemicals(23)	2421.38	+0.1	2418.92	2423.55	2436.27	2195.67	4.05	1.88	16.41	0.91	1128.00
24 Diversified Industrials(21)	1776.48	+1.1	1756.55	1767.64	1765.21	1796.68	5.55	1.49	15.11	3.32	973.13
25 Electronic & Elect Equip(35)	2347.37	+1.4	2313.95	2325.77	2303.36	1886.87	3.07	1.95	20.92	2.04	1205.36
26 Engineering(71)	2269.10	+0.7	2253.71	2258.60	2252.19	1742.16	3.29	2.24	16.99	3.48	1360.27
27 Engineering, Vehicles(13)	2619.57	+0.5	2605.48	2613.70	2616.95	2107.45	3.91	1.26	25.38	0.23	1335.74
28 Paper, Pckg & Printing(26)	2681.27	+0.5	2647.40	2663.49	2619.77	2713.19	3.75	2.53	13.19	0.39	1091.77
29 Textiles & Apparel(19)	1474.37	+0.6	1465.51	1465.60	1456.04	1459.40	4.72	1.79	14.79	0.00	884.27
30 CONSUMER GOODS(81)	3677.98	+1.0	3642.79	3660.03	3641.75	2843.29	3.72	1.75	19.19	7.79	1337.43
32 Alcoholic Beverages(9)	2848.73	+1.1	2818.70	2829.05	2814.26	2536.92	4.27	1.67	17.55	26.48	1018.16
33 Food Producers(23)	2579.86	+0.9	2556.84	2575.82	2566.66	2356.15	4.16	1.73	17.36	4.53	1146.16
34 Household Goods(15)	2611.13	-0.2	2616.79	2641.30	2639.53	2533.58	3.66	2.15	15.93	1.96	981.10
36 Health Care(20)	1948.23	+0.1	1945.76	1933.11	1933.77	1597.17	2.63	1.76	26.92	2.08	1170.96
37 Pharmaceuticals(13)	5270.61	+1.2	5210.52	5228.03	5185.36	3504.18	3.10	1.69	23.81	0.05	1780.35
38 Tobacco(1)	4807.23	+0.8	4769.11	4615.70	4619.93	3689.06	4.99	1.94	12.92	0.00	1183.01
40 SERVICES(253)	2336.68	+1.0	2312.91	2307.94	2296.20	1845.94	2.98	2.09	20.18	12.94	1204.19
41 Distributors(32)	2624.80	+0.7	2607.68	2597.85	2607.08	2258.59	3.65	1.79	19.10	0.00	955.30
42 Leisure & Hotels(23)	2891.93	+1.4	2851.43	2843.02	2820.87	2093.72	2.88	1.94	22.35	104.50	1538.01
43 Media(46)	3837.83	+1.2	3793.40	3759.48	3713.42	2718.97	2.19	2.12	26.92	11.48	1377.88
44 Retailers, Food(15)	1935.32	+0.9	1918.31	1924.57	1935.20	1760.65	3.78	2.41	13.76	2.67	1213.51
45 Retailers, General(43)	1942.55	+1.1	1921.72	1927.34	1917.96	1514.49	3.06	2.24	18.28	5.57	1098.24
47 Breweries, Pubs & Rest.(24)	2978.23	+0.6	2959.59	2972.82	2962.72	2145.63	3.31	2.08	18.12	15.46	1420.00
48 Support Services(49)	2042.62	+0.7	2028.25	2010.32	2002.45	1467.41	2.30	2.52	21.55	2.39	1286.91
49 Transport(21)	2329.17	+1.2	2302.50	2294.14	2285.80	2192.92	3.72	1.39	24.17	3.84	958.12
60 UTILITIES(38)	2475.57	+0.4	2466.05	2472.09	2454.52	2363.64	5.01	2.01	12.40	27.33	1047.20
62 Electricity(12)	2773.05	+0.6	2755.87	2775.97	2749.97	2473.30	5.01	2.60	9.51	105.57	1342.52
64 Gas Distribution(2)	1606.96	-0.4	1613.35	1610.18	1609.76	2041.54	7.46	1.04	16.12	0.00	808.23
66 Telecommunications(7)	2039.46	+0.5	2029.88	2030.36	2014.99	1967.07	4.14	1.77	17.08	0.00	923.13
68 Water(12)	2103.66	+0.3	2097.57	2105.88	2097.33	1753.69	5.80	2.60	8.29	3.61	1140.79
69 NON-FINANCIALS(667)	1957.11	+0.7	1944.16	1946.87	1937.79	1631.87	3.78	1.88	17.61	7.57	1465.48
70 FINANCIALS(106)	2984.67	+1.7	2935.73	2922.96	2910.40	2138.98	3.80	2.32	14.20	0.62	1260.78
71 Banks, Retail(8)	4272.19	+2.3	4174.47	4143.14	4114.94	2804.76	3.50	2.60	13.71	0.00	1369.50
72 Banks, Merchant(6)	3504.21	+0.7	3479.32	3493.97	3478.70	3092.39	2.66	2.41	19.52	0.00	1098.54
73 Insurance(24)	1406.43	+0.9	1393.87	1403.86	1407.58	1202.45	5.20	2.68	8.96	0.28	1030.97
74 Life Assurance(6)	3548.06	+0.8	3520.78	3498.94	3492.03	2367.63	3.93	1.53	20.76	0.00	1445.49
77 Other Financial(23)	2564.40	+0.6	2549.21	2542.76	2543.18	1652.89	3.56	1.86	18.89	1.06	1438.44
79 Property(41)	1458.61	+0.3	1453.67	1453.46	1448.66	1368.73	4.28	1.31	22.35	2.51	886.10
80 INVESTMENT TRUSTS(127)	3163.67	+0.2	3157.82	3158.06	3150.26	2609.42	2.11	1.05	56.31	6.43	1097.10
89 FT-SE-A ALL-SHARE(902)	1856.23	+0.8	1841.04	1841.65	1833.33	1508.39	3.72	1.94	17.30	5.85	1547.15
FT-SE-A Fledgling	1147.91	+0.1	1146.46	1144.96	1144.30	980.84	2.94	2.23	19.06	2.88	1188.71
FT-SE-A Fledgling ex Inv Trusts	1143.50	+0.2	1141.78	1140.20	1139.46	982.14	3.23	2.40	16.11	2.84	1183.40

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3744.8	3755.2	3765.3	3768.6	3772.6	3774.7	3767.9	3767.4	3777.3	3779.8	3744.2
FT-SE Mid 250	4181.0	4182.4	4170.2	4173.2	4174.0	4183.1	4182.8	4183.8	4186.3	4189.1	4160.9
FT-SE-A 350	1865.7	1869.9	1874.7	1876.3	1877.9	1879.8	1876.9	1876.8	1880.9	1882.1	1865.5

Time of FT-SE 100 Day's high: 4.30pm Day's low: 8.38am. FT-SE 100 1995/96 High: 3781.3 (2/2/96) Low: 2954.2 (23/1/95).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1062.4	1063.2	1065.4	1066.7	1068.3	1069.6	1070.4	1070.3	1071.4	1072.9	1061.7	+11.2
Pharmaceuticals	5138.6	5161.1	5167.4	5172.6	5180.7	5186.0	5169.4	5175.0	5213.6	5213.6	5153.8	+59.8
Water	2091.0	2098.3	2100.3	2099.0	2099.0	2098.5	2096.3	2096.7	2096.8	2096.6	2090.4	+6.2
Banks, Retail	4256.0	4262.9	4299.4	4296.5	4305.4	4304.7	4300.0	4304.7	4324.9	4326.7	4227.7	+99.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from FT-SE International Ltd., The Podium, St Alphage House, 2 Fore Street, London, EC2Y 5DA. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights Reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trademarks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,300	491	+4
ASDA Group†	7,300	105½	+1½
Abbey National†	4,400	613	+2
Albert Fisher	4,000	44½	-½
Allied Domecq†	2,100	525	+8
Anglian Water	660	583	+2
Argos†	78	569½	+5½
Argyll Group†	6,000	312½	+2½
Arjo Wiggins	805	184	+1
Assoc. Brit. Foods†	487	388½	-½
Assoc. Brit. Ports	71	281	+4
BAA†	10,000	509	+12
BAT Inds.†	3,600	567½	+4½
BET	48,000	184½	+34½
BICC	889	281	+8
BOC†	1,500	924	+1½
BP†	15,000	534	-4
BPB Inds.	429	321	+3
BSkyB†	2,200	391	+3
BT†	7,400	376½	+2½
BTR†	5,900	329	+2
Bank of Scotland†	3,900	264½	+½
Barclays†	4,100	808	+18
Bass†	1,000	748	+1
Blue Circle†	2,700	357	+7
Booker	106	388	
Boots†	3,600	607	+9
Britannic	1,700	744	-6
Brit. Aerospace†	4,900	837	+13
British Airways†	6,100	510	+8
British Gas†	8,000	241	-1
British Land	300	397	
British Steel†	12,000	170	
Bunzl	1,500	201	+1
Burmah Castrol†	1,100	1072	+3
Burton†	16,000	132½	+3
Cable & Wire†	4,500	460	+7
Cadbury Schweppes†	7,000	532½	+11½
Caradon	602	218	-1
Carlton Comms.†	2,300	1029	-17
Coats Viyella	1,500	186	+3
Comm. Union†	3,400	607½	-5½
Compass	844	486	+1
Cookson†	4,400	298	-6
Courtaulds†	358	414	
Dalgety	333	487	
De La Rue	741	724	+1
Dixons†	3,500	440	+4½
East Midland Elect.	1,200	730	+8
Electrocomps	908	361	+10
Eng China Clays	124	340	
Enterprise Oil†	1,400	377	-2
Eurotunnel Units	215	81	-½
FKI	6,000	159½	[illegible]
Foreign & Col. I.T.†	957	166½	
Forte	28	350	+2
Gen. Accident†	2,500	646	+20
General Elect.†	12,000	375½	+9½
Glaxo Wellcome†	3,800	949	+15
Glynwed	1,300	334	-4
Granada†	4,300	734½	+9½
Grand Met.†	2,800	456	+6
GUS†	3,700	709	+9
Greenalls†	220	591	+3
GRE†	8,700	260½	+6½
GKN†	2,900	926	-4
Guinness†	2,400	498½	+3
HSBC (75p shs)†	2,900	103	+21
Hammerson	144	340	
Hanson†	14,000	189½	+6¼
Harrisons Crosfield	876	157½	-3
Hays	2,000	481	+3
Hillsdown	3,500	181½	-½
IMI	205	327	+2
ICI†	2,300	825	+3
Inchcape	379	285	
Johnson Matthey	353	571	
Kingfisher†	2,400	521	+6½
Kwik Save	1,900	493	
Ladbroke†	15,000	181	+8
Land Securities†	834	618	+2
Laporte	202	831	-1
Legal & General†	1,700	700	+4
Lloyds Abbey	3,600	518	+12
Lloyds TSB†	12,000	347½	+12½
LASMO†	9,200	175	+4
London Elect.	478	748	+3
Lonrho	3,100	201	+1½
Lucas	858	194	+5
MEPC	186	413	+6
MFI	4,700	153	-½
Marks & Spencer†	8,100	482½	+4½
Mercury Asset Man	291	879	
Midlands Elect.	104	363	-1
Morrison (Wm.)	1,500	159½	-½
NFC	4,800	153	[illegible]
NatWest Bank†	6,400	676	+16
National Grid†	5,400	196½	-½
National Power†	11,000	478	[illegible]
Next	395	476	[illegible]
Northern Elect.	579	839	+11
Northern Foods	2,100	198	+4
Pearson†	2,500	706	+27
P & O†	2,900	549	+5
Pilkington†	4,600	208½	+4½
PowerGen†	898	539	[illegible]
Prudential†	4,400	480½	+5
REXAM†	1,800	369	+2
RMC†	379	1010	[illegible]
RTZ†	1,700	937	[illegible]
Racal	187	300	-1
Rank Org.†	2,900	477½	+3½
Reckitt & Colman†	1,700	685	-2
Redland†	6,600	417	[illegible]
Reed Intl.†	1,700	1046	[illegible]
Rentokil†	24,000	338½	-26
Reuters†	3,300	686	+8
Rolls Royce†	4,500	212	+1½
Ryl Bk Scotland†	4,600	567	+14
Royal Insurance†	2,500	387	+2
Sainsbury†	2,900	366½	+4½
Schroders†	341	1263	+8
Scottish & New.†	1,500	687	+8
Scot. Hydro-Elect.	1,100	340	-1
Scottish Power†	3,200	379	+1
Sears	4,300	97½	+3
Sedgwick	4,000	118	+3
Securicor	6	634	
Severn Trent†	953	640	+9
Shell Transport†	19,000	869	-12½
Siebe†	884	810	+4½
Slough Ests	1,400	216½	+4½
Smith (W.H.)	199	428	-1
Smith & Nephew†	3,500	192	+½
SmKl Beecham†	1,700	735	+6½
SmKl Beecham Uts.†	1,800	727	+5
Smiths Inds.†	486	676	+14
Southern Elect.†	394	890	-2
South Wales Elect.	2	883	-1
South West Water	243	507	-1
Southern Water	821	886	+1
Standard Chartd.†	2,000	604	+2
Storehouse	1,200	309	+2
Sun Alliance†	2,800	380	+5
T&N	1,000	189	
TI Group†	1,000	478	+9
Tarmac	1,400	118½	-½
Tate & Lyle†	782	471	+3
Taylor Woodrow	3,300	139½	+1½
TeleWest	2,800	138½	+3
Tesco†	4,500	293½	+2½
Thames Water†	2,100	636	-3
Thorn EMI†	637	1678	
Tomkins†	2,700	278	+1
Trafalgar House	6,700	37¼	+2
Unigate	2,700	431	+6
Unilever†	2,800	1286	+12
United Biscuits	848	228½	+1½
Utd. News & Media	2,700	639	+7
United Utilities†	1,300	597	+1
Vodafone†	7,700	228½	-6
WPP	3,700	178	+1
Welsh Water	88	798	
Wessex Water	149	331	+3
Whitbread†	1,100	721	+11
Williams Hldgs.†	1,200	336	+7
Willis Corroon	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. [illegible] † Indicates an FT-SE 100 index constituent. [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 15 / Sch)

BELGIUM/LUXEMBOURG (Feb 15 / Frs.)

CZECH REP (Feb 15 / Koruna)

DENMARK (Feb 15 / Kr)

FINLAND (Feb 15 / Mkk)

FRANCE (Feb 15 / Frs.)

GERMANY (Feb 15 / Dm.)

GREECE (Feb 15 / Drachma)

ITALY (Feb 15 / Lira)

NETHERLANDS (Feb 15 / Fls.)

NORWAY (Feb 15 / Kroner)

POLAND (Feb 15 / Zloty)

PORTUGAL (Feb 15 / Escudo)

SPAIN (Feb 15 / Pts.)

SWEDEN (Feb 15 / Kronor)

		+/-	High	Low	Yld	P/E
AGA A	100.50	+2	104	87	2.2	...
AGA B	98	-.50	142.50	86.50	2.3	...
Asea A	699	+5	710	454	1.8	...
Asea B	691	-2	707	485	1.7	...

SWITZERLAND (Feb 15 / Frs.)

TURKEY (Feb 15 / TK Lira)

PACIFIC

JAPAN (Feb 15 / Yen)

AUSTRALIA (Feb 15 / Aust$)

HONG KONG (Feb 15 / H.K.$)

INDONESIA (Feb 15 / Rupiah)

MALAYSIA (Feb 15 / MYR)

NEW ZEALAND (Feb 15 / NZ $)

SINGAPORE (Feb 15 / S$)

SOUTH KOREA (Feb 15 / Won)

		+/-	High	Low	Yld	P/E
HyEngC	37,500	-200	42,140	29,323	0.1	...
KorEP	28,400	-300	33,300	23,300	1.8	...
KFstBk	7,200	+200	10,900	6,250	...	...
KMTele	644,000	-3,000	680,000	345,800	...	...
LG Ele	29,500	...	33,458	21,000	...	...
PohgSt	51,500	-200	76,000	46,700	1.3	...
SamElc	131,500	+1,500	179,000	74,921	0.2	...
SamgHI	18,100	...	32,500	17,500	2.8	...
Yukong	24,400	-200	35,353	22,800	2.3	...

TAIWAN (Feb 15 / TW $)

		+/-	High	Low	Yld	P/E
CL Ins	117.50	-.50	169	107	1.3	...
CH Bnk	85.50	-.50	168	84.50	1.0	...
ChiDev	75	...	95.25	69.50	...	...
ChSti	20.20	-.10	33.50	17.90	7.3	...
FrstBk	98	-1	188	84	1.0	...
NYPstc	40.10	...	58.25	38	2.9	...
SHK U	60.50	-.50	99.25	56.75	2.5	...
TatSci	81.50	...	126	55.50	...	...

THAILAND (Feb 15 / Baht)

		+/-	High	Low	Yld	P/E
Advlnf	510	...	510	202	...	...
BgkBnk	340	-2	366	193	...	...
BgkLnd	41	...	82.50	26.50	1.2	...
DhSiam	184	+10	200	76.50	...	...
FinOne	157	+1	178	99	2.2	...
KrThBk	134	+1	147	86.50	...	...
LndHou	488	-4	558	300	1.1	...
PhThan	282	...	368	138	...	...
SiamCm	1,408	-12	1,768	1,186	...	...
SiamCi	386	-4	446	328	...	...
SiamCB	426	+2	430	181	2.1	...
TeleAs	77	-1	99	68	...	...
ThaiFm	280	+8	300	173	1.9	...

NORTH AMERICA

CANADA

TORONTO (Feb 15 / Can $)
4 pm close

MONTREAL (Feb 15 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Feb 15 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995/96. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $. Owing to technical problems, some European prices to yesterday's FT were pre-close.

INDICES

	Feb 15	Feb 14	Feb 13	1995/96 High		1995/96 Low	
Argentina General(29/12/77)	(u)	17556.21	17987.44	18191.58	31/1/96	9831.09	9/3/95
Australia All Ordinaries(1/1/80)	2298.5	2300.8	2289.7	2300.80	14/2/96	1823.30	8/2/95
All Mining(1/1/80)	1037.2	1037.0	1031.5	1058.50	2/2/96	798.30	8/2/95
Austria Credit Aktien(30/12/84)	377.44	375.09	377.06	395.42	2/1/95	328.50	27/10/95
Traded Index(2/1/91)	1059.75	1055.13	1064.24	1094.98	7/2/96	882.15	23/10/95
Belgium BEL20(1/1/91)	1652.98	1661.61	1663.44	1715.74	1/2/96	1271.53	9/3/95
Brazil Bovespa(29/12/83)	(u)	53308.0	53858.0	54109.80	2/2/96	21392.00	9/3/95
Canada Metals Minls♣(1975)	(u)	5258.98	5240.85	5370.39	8/2/96	3808.63	1/3/95
Composite♣(1975)	(u)	5059.69	5045.31	5059.69	14/2/96	3981.41	30/1/95
Portfolio$$(4/1/83)	(u)	2484.65	2479.65	2498.57	8/2/96	1953.36	30/1/95
Chile IPSA Gen♥(31/12/80)	(u)	5601.24	5600.43	6363.10	11/7/95	4576.90	9/3/95
Denmark CopenhagenSE(3/1/83)	389.06	390.67	391.35	391.35	13/2/96	339.01	29/3/95
Finland HEX General(28/12/90)	1795.89	1824.70	1820.06	2332.22	14/9/95	1565.39	29/3/95
France SBF 250(31/12/90)	1322.84	1318.04	1328.95	1338.17	1/2/96	1154.41	13/3/95
CAC 40(31/12/87)	1964.21	1956.38	1983.33	2024.09	1/2/96	1721.14	23/10/95
Germany FAZ Aktien(31/12/58)	864.32	865.52	868.93	882.69	1/2/96	708.87	30/3/95
Commerzbank(1/12/53)	2509.6	2513.2	2522.7	2559.90	31/1/96	2018.70	30/3/95
DAX‡(30/12/87)	2423.01	2427.07	2433.91	2470.14	31/1/96	1910.96	28/3/95
Greece Athens SE(31/12/80)	974.67	976.29	973.30	996.30	22/1/96	787.15	16/3/95
Hong Kong Hang Seng(31/7/64)	11471.81	11364.46	11200.19	11484.12	5/2/96	6967.93	23/1/95
India BSE Sens.(1979)	3542.12	3581.00	3527.84	3932.09	2/1/95	2828.06	25/1/96
Indonesia Jakarta Comp.(10/8/82)	590.76	590.20	584.82	592.92	6/2/96	414.21	19/4/95
Ireland ISEQ Overall(4/1/88)	2322.69	2305.49	2318.91	2334.07	31/1/96	1813.59	23/1/95
Italy Banca Comm Ital(1972)	604.96	612.13	628.13	680.84	10/2/95	547.79	5/12/95
MIB General(2/1/96)	1026.0	1038.0	1065.0	1062.00	9/2/96	982.08	15/1/96
Japan Nikkei 225(16/5/49)	20896.19	20843.59	20784.23	21118.30	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	301.43	302.36	300.83	307.98	5/1/96	222.26	13/6/95
Japan Topix(4/1/68)	1610.26	1617.41	1610.23	1632.03	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2093.32	2103.62	2102.65	2130.68	4/1/95	1441.80	13/6/95
Malaysia KLSE Comp.(4/4/86)	1085.32	1069.96	1064.23	1085.32	15/2/96	840.87	24/1/95
Mexico IPC(Nov 1978)	(u)	2971.25	2920.72	3101.92	2/2/96	1447.52	27/2/95
Netherland CBS TtRtnGen(End 83)	562.4	567.5	566.1	567.50	14/2/96	422.90	23/3/95
CBS All Shr(End 83)	340.5	343.8	342.8	343.80	14/2/96	295.20	23/3/95
New Zealand Cap. 40(1/7/86)	2074.21	2085.38	2092.04	2208.82	20/10/95	1901.43	5/1/95
Norway Oslo SE(Ind)(2/1/83)	1290.58	1294.26	1288.67	1315.28	8/1/96	1036.80	10/3/95
Philippines Manila Comp(2/1/85)	2933.70	2943.39	2905.66	2968.12	10/7/95	2198.48	20/11/95
Portugal BTA(1977)	2604.6	2603.6	2590.1	2611.68	9/1/95	2412.90	22/11/95
Singapore SES All-S'pore(2/4/75)	601.13	592.55	591.59	610.37	5/2/96	472.90	23/1/95
South Africa JSE Gold(28/9/78)	1800.0♥	1747.8	1712.9	2023.80	2/1/95	1260.20	30/10/95
JSE Indl.(28/9/78)	8575.4♥	8494.1	8430.9	8739.30	25/1/96	6222.08	31/1/95
South Korea KoreaCmpEx**(4/1/80)	869.34	869.86	858.18	1027.37	2/1/95	842.72	20/1/96
Spain Madrid SE(30/12/85)	334.89	330.70	330.92	334.98	15/2/96	284.08	23/3/95
Sweden AffarsvardnGen(1/2/37)	1809.0	1819.0	1825.1	1872.18	19/9/95	1439.80	29/3/95
Switzerland Swiss Bk Ind(31/12/58)	1551.08	1554.27	1553.33	1578.89	4/1/96	1174.83	13/3/95
SBC General(1/4/87)	1138.23	1136.92	1135.30	1165.59	4/1/96	870.56	13/3/95
Taiwan WeightedPr.**(30/6/66)	4809.02	4836.39	4857.27	7051.49	5/1/95	4503.37	14/8/95
Thailand Bangkok SET(30/4/75)	1380.87	1379.20	1369.74	1472.04	10/7/95	1135.89	16/3/95
Turkey Istanbul Cmp.(Jan 1986)	54045.0	51530.1	51632.0	54653.90	21/4/95	24844.36	23/1/95
WORLD MS Capital Intl(1/1/70)	760.1*	758.3	759.1	760.10	12/2/96	606.21	23/1/95
CROSS-BORDER Eurotrack 100(26/10/90)	1537.62	1549.07	1557.59	1570.74	1/2/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1398.34	1392.75	1402.15	1410.12	2/2/96	1117.34	9/3/95
JCapelDrgns(31/12/88)	(u)	375.70	371.81	380.75	5/2/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	159.99	158.86	159.07	162.72	5/2/96	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Feb	1958.0	1960.0	-2.0	1964.0	1955.0	3,066	29,582
Mar	1965.0	1967.5	-1.5	1969.5	1964.0	533	26,140
DAX							
Mar	2419.0	2429.0	+0.5	2434.0	2414.5	22,117	-
Jun	2433.5	2440.5	+1.0	2444.0	2428.0	857	-
OMX							
Feb	1425.50	1412.50	-13.50	1425.50	1409.00	8,637	21,156
Mar	1434.00	1421.00	-14.50	1434.00	1413.00	4,143	4,514
SOFFEX							
Jan	3273.0	3271.8	+3.1	3275.0	3261.0	6,391	9,753
Feb	3272.8	3276.6	+4.6	3280.0	3264.9	4,107	13,788

– Sat Feb 10: Taiwan Weighted Price 4778.03; Korea Comp Ex 876.21. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 15 - 2426.51 -1.26.

US INDICES

Dow Jones	Feb 14	Feb 13	Feb 12	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5579.55	5601.23	5600.15	5601.23 (13/2/96)	3832.08 (30/1/95)	5601.23 (13/2/96)	41.22 (2/7/32)
Home Bonds	106.09	105.92	105.92	108.09 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2050.72	2032.57	2021.83	2092.11 (5/12/95)	1473.19 (3/1/95)	2092.11 (5/12/95)	12.32 (8/7/32)
Utilities	230.92	234.00	234.00	234.00 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5633.02 (5644.84) Low 5534.39 (5530.06) (Theoretical♣)
Day's high 5610.26 (5627.60) Low 5553.90 (5562.57) (Actual♣)

Standard and Poors	Feb 14	Feb 13	Feb 12	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	655.58	660.51	661.45	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials♥	769.37	773.90	775.19	775.19 (12/2/96)	546.28 (3/1/95)	775.19 (12/2/96)	3.62 (21/6/82)
Financial	66.97	67.43	67.21	67.43 (13/2/96)	41.64 (3/1/95)	67.43 (13/2/96)	8.64 (1/10/74)
NYSE Comp.	349.35	351.29	351.70	351.70 (12/2/96)	250.73 (3/1/95)	351.70 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	560.98	560.62	562.46	594.86 (8/2/96)	433.12 (6/1/95)	594.86 (8/2/96)	29.31 (9/12/72)
NASDAQ Cmp	1088.03	1087.22	1095.38	1095.38 (12/2/96)	743.58 (3/1/95)	1095.38 (12/2/96)	54.87 (31/10/72)

RATIOS

	Feb 9	Feb 2	Jan 26	Year ago
Dow Jones Ind. Div. Yield	2.13	2.19	2.24	2.72
	Feb 14	Feb 7	Jan 31	Year ago
S & P Ind. Div. yield	1.87	1.88	1.91	2.36
S & P Ind. P/E ratio	20.07	19.88	19.43	19.57

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Gen Motors	5,500,000	55⅛	—
Micron Tech	5,450,400	37	-¼
Madeco	5,366,700	26⅞	—
Telecom NZ	5,331,700	67⅞	—
Hanson	5,175,300	14⅛	+⅛
Ford	4,730,000	31	+⅛
YPF	4,446,800	21¼	-1⅛
Wal-Mart	3,994,700	22⅛	+⅛
Telefon de M	3,555,800	32	+⅜
AT & T	3,453,900	67⅛	-⅛

TRADING ACTIVITY

● Volume (million)

	Feb 14	Feb 13	Feb 12
New York SE	421.19	444.932	402.224
Amex	25.34	23.74	21.67
NASDAQ	530.360	542.818	506.292
NYSE			
Issues Traded	3,093	3,111	3,094
Rises	1,156	1,068	1,347
Falls	1,139	1,232	949
Unchanged	798	811	798
New Highs	159	234	253
New Lows	13	11	13

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Mar	655.90	657.40	+1.50	657.40	655.25	91,925	192,329
Jun	661.30	663.50	+1.60	663.50	661.30	3,552	18,479
Nikkei 225							
Mar	20970.0	20830.0	-240.0	21070.0	20780.0	20,149	150,768
Jun	20880.0	20820.0	-230.0	21060.0	20770.0	7,146	34,408

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Thursday, February 15, 1996

	Stocks Traded	Closing Prices	Change on day
NHK Spring	15.7m	600	+10
Mitsubishi Rayon	14.9m	456	+10
Nissan Motor Co	13.8m	848	-9
Tobu Railway	11.9m	665	+10
Oki Electric Ind	11.8m	883	-14
Shinko Electric	10.7m	674	-7
Pacific Metals	9.3m	649	-5
Mitsubishi Corp	8.7m	1330	-20
Mitsubishi Hvy	7.7m	880	+2
Daiwa Secs	7.1m	1560	-10

4 pm close February 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22⅛	12⅛	AAR	0.48	2.4	24	214	20⅛	20	20⅛	+⅛
48¼	35	AMP x	1.00	2.3	21	5498	43⅝	43	43	-⅝
84	53⅞	AMR			33	5020	u84	82¾	82⅞	+⅛
50½	36⅞	ASA x	2.00	4.2	31	1426	49⅛	46⅞	47¼	-1¾
44¾	30¾	AbbtL	0.86	2.2	20	16365	u44¾	42¾	44	+1⅛
18⅞	12	Abitibi Pr	0.40	2.4	8	675	16⅞	16⅝	16¾	
28½	21	ABM Ind	0.70	2.5	15	32	28⅜	28⅛	28⅜	+¼
17½	13⅛	Acptocein			10	727	15	14¾	14¾	-¼
50⅜	21⅞	ACE Ltd	0.56	1.2	11	2340	47½	46½	47	-⅝
9⅞	8⅛	ACM Gvt In	0.90	9.2	8	1230	u9⅞	9⅝	9¾	
7⅞	6½	ACM GvOpp	0.66	8.5		219	7¾	7⅝	7¾	
7½	5¾	ACM Gvt Sp	0.75	10.5		170	7⅛	7	7⅛	+⅛
9⅛	7¼	ACM Gvt Se	0.90	10.0		1095	u9⅛	8⅞	9	
9½	7⅝	ACM Man	0.90	9.7		423	9¼	9⅛	9¼	+⅛
29¼	10¼	AcmeClv x	0.52	2.7	4	50	19⅝	19	19	-⅝
38¼	6⅞	Acme Elect			61	169	7⅜	d6⅞	7⅜	+⅜
34½	23¾	Acordia	0.72	2.5	15	38	28½	28¼	28¼	
16¾	10⅛	Acuson			46	657	14⅞	14½	14¾	+¼
18⅝	15⅝	Adams Expr x	0.36	1.9	0	257	18¼	18⅛	18¼	-⅛
38⅞	16⅛	AdvMic			7	5225	20⅜	20	20	-¼
10¼	5	Advest Grp	0.16	1.6	10	95	10⅛	10	10	
27½	16½	Advo Inc	0.10	0.5	23	1106	22⅛	21⅝	22	+⅜
48¾	24.80	Aegon	1.28	2.9	16	183	43¾	42⅞	43⅜	+⅝
5⅞	3⅜	Aerfb			8	897	4⅝	4⅜	4⅝	+¼

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

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- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close February 15

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

4 pm close February 15

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AMEX COMPOSITE PRICES

4 pm close February 15

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AMERICA

IBM shares climb to a five-year peak

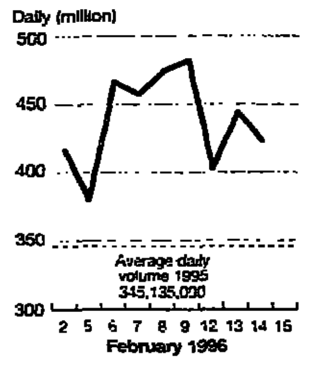
Wall Street

US shares were mixed at midsession yesterday as technology issues in the Nasdaq composite continued to hold recent gains while broader indices posted modest losses in choppy trading, *writes Lisa Bransten in New York.*

Both the Dow Jones Industrial Average and the Standard & Poor's 500 alternated between positive and negative territory in early trading and activity was expected to remain volatile through to today's expiration of share options, known as double-witching.

By 1 pm the Dow stood 7.22 lower at 5,572.33 and the S&P 500 was off 1.04 at 654.54. The American Stock Exchange composite slipped 0.59 to 560.49. New York SE volume was 233m shares.

NYSE volume



Economic news out yesterday generally pointed to a modest rebound in the industrial sector. Durable goods orders, for example, rose by a stronger than expected 1.3 per cent in December and the Federal Reserve Bank of Philadelphia's index of business activity jumped to 3.8 in February from a negative 16.6 in January.

The technology-rich Nasdaq composite posted a modest gain of 2.94 at 1,090.97 and the Pacific Coast Stock Exchange technology index added 0.3 per cent. Rising tech stocks included America Online, up $2¾ at $53⅝, Broderbund Software, $1⅛ stronger at $45⅝, Oracle Systems, climbing $1⅛ to $52¾, and Lam Research, which gained $1⅝ at $40⅞.

Biotech companies, which are also concentrated on the Nasdaq, were mostly stronger. Chiron appreciated $1⅞ to $111⅞, Genzyme moved forward $1 to $73 and Biogen advanced $1⅞ to $75⅞.

The Dow got some support from a jump in the price of IBM shares, which climbed $3 to a five-year peak of $117⅞ on reports that an influential analyst had put out a high rating on the company.

But cyclical shares, which are heavily represented in the Dow, were mostly lower. Boeing relinquished $¾ at $82¼ and General Motors retreated $1⅛ to $51½.

Berkshire Hathaway, the investment vehicle of Mr Warren Buffet, added a further $700 to the $1,500 it jumped on Wednesday, bringing the shares to $33,900. On Tuesday, Mr Buffet announced a plan that would allow investors to divide their A shares into 30 B shares.

Premier Industries gained $1¾ or 6 per cent at $31¾ after announcing that shareholders of Farnell Electronics had approved their company's acquisition of Premier.

Canada

Toronto edged lower at midsession, unable to maintain a firm early trend, and the TSE 300 composite index was 4.49 easier by noon at 5,055.20 in volume of 47.9m shares.

Diamond Fields Resources, C$¼ ahead at C$38, remained the centre of attention as investors continued to await further bids for the company and its Voisey Bay nickel discovery in Labrador. Princeton Mining picked up 4 cents to 34 cents in hefty volume.

Latin America weak

Mexico City was slightly weaker by midsession, shedding an early gain that reflected hopes that the peso would rebound after recent losses.

The IPC index was down 19.12 at 2,952.13. Volume had reached 11m shares.

Brokers said there was speculative buying of Bancomer ahead of the bank's expected release of its 1995 earnings later in the day. Bancomer B stock was up 1.9 per cent in volume of 1.5m shares.

Market sentiment improved on Wednesday as the peso stopped a recent losing streak and rose in response to higher interest rates. Progress on peace talks between Zapatista rebels and the government also cheered investors.

SAO PAULO was lower at midsession as investors took profits ahead of next week's Carnival holiday. The Bovespa index was down 582.71 at 53,725. Encouraging news on constitutional reform and the discovery of a new oilfield by Petrobras did little to help.

BUENOS AIRES was also softer at the opening and did not make ground thereafter. The Merval index stood 5.92 down at 539.12 by midday.

S Africa takes upward track

Johannesburg was higher as gold shares benefited from a slightly firmer bullion price and industrials were boosted by a buoyant bond market.

Analysts noted that short-covering and basket trading were driving gains, continuing the upward trend which began on Wednesday.

The overall index was up 76.6 to 6,854.1, industrials gained 81.3 at 8,575.4 and golds advanced 52.2 to 1,800.

Stocks that attracted particular attention were Vaal Reefs, which jumped R21 to R373, and Western Deep, R11 up at R183. An analyst noted that the liquidity in both companies made them early targets by sellers in times of weakness and, conversely, also ensured that they were among the most sought after when good times returned.

Anglo American gained a relatively modest R4 at R262.

EUROPE

Royal Dutch down 4%, Amsterdam at new high

Royal Dutch dropped 4 per cent in AMSTERDAM as a number of brokers downgraded the stock following disappointment over the group's fourth-quarter earnings. The opening of Wall Street brought in a fresh wave of selling, particularly as the ADRs retreated, and the shares finished Fl 10.70 down at Fl 283.10.

Downgrades came from Goldman Sachs in New York, which cut its earnings estimate for the current year, and ABN Amro Hoare Govett in London. Mr Charles Spaan, pan-European oils analyst at ABN Amro, said that he had downgraded the company to hold from buy, mainly as a consequence of the share's outperformance relative to the overall market since last September. He was recommending a switch into Shell Transport.

The AEX index finished up 0.43 at 511.16, a new record high, but down from an intraday peak of 512.59.

The other big story of the session was Philips, up Fl 1.60 to Fl 66.40, but off a high of Fl 68.50, having pleased investors with 1995 figures which were at the high end of expectations. Polygram slipped 10 cents to Fl 96.

MADRID liked the recovery in the dollar and the rise in the Dow, responding with the general index up 4.29 or 1.3 per cent to an all-time high of 334.99 as turnover soared from Pta28.35bn to Pta40.47bn.

The gains were led by utilities, up 1.9 per cent, communications, ahead 1.6 per cent, and banks, with a 1.3 per cent advance. One of the strongest individual features was Endesa, Pta160 or 2.4 per cent better at Pta6,800. In a note this week Goldman Sachs recommended the stock, expecting 12 to 13 per cent annual earnings per share growth to continue due to new asset construction, improving operational efficiency, and debt reduction.

FRANKFURT was studiously non-committal on the great majority of its blue chips, only Karstadt standing out with a gain of DM8.50 at DM567 as the Dax index eased 1.26 to an Ibis-indicated 2,426.51.

Mr Adrian Hopkinson, at Westdeutsche Landesbank in Düsseldorf, said that the department store sector was probably due a technical bounce after a 2 per cent drop in the week ending on Wednesday; he noted that Douglas, the specialist retailer, was 86 pfgs higher at DM48.01.

Turnover rose from DM7bn to DM8.1bn.

There was some action in the medicare/pharmaceuticals area: Fresenius prefs rose DM11 or 6.5 per cent to DM181 as the dialysis merger plan with W.R. Grace, of the US, came into the spotlight again; and Altana, a disappointed growth stock late last year, peaked again, up DM17 at DM965 on its new ulcer drug.

FT-SE Actuaries Share Indices

Feb 15					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1538.55	1539.25	1539.23	1538.84	1540.30	1538.52	1537.30	1537.82
FT-SE Eurotrack 200	1657.67	1657.70	1657.23	1659.11	1660.30	1658.27	1656.60	1656.35
	Feb 14	Feb 13	Feb 12	Feb 9	Feb 8			
FT-SE Eurotrack 100	1549.07	1557.59	1550.87	1547.77	1545.69			
FT-SE Eurotrack 200	1663.40	1663.82	1655.60	1650.50	1655.63			

Base 1000 (26/10/90). High/day: 100 - 1540.82; 200 - 1661.16 Low/day: 100 - 1536.59 200 - 1656.21 † Partial

PARIS found movement difficult and the CAC-40 index ended with a slight gain of 7.83 at 1,964.21 in light turnover of FFr3.4bn.

Morgan Stanley said yesterday that it was remaining neutral on the market and continued to see a year-end target of 2,200. Mr Markus Rösgen said that he expected the economy to show weakness during the first quarter, followed by a pick-up during the second half of the year. "We believe that this scenario will prove to be positive for equities, which should benefit from the continued switch out of fixed income and into equities."

On the downside, Crédit Local de France fell FFr5.90 to FFr400.10 as reports circulated that it might make a bid for Crédit Foncier de France, up FFr1 to FFr75.

MILAN was weak, although up from its lows as investors faced up to the prospect of early elections, but demonstrated little conviction that the polls would necessarily resolve the political deadlock.

The Comit index fell 7.17 to 604. The real-time Mibtel index recovered from 9,577 to finish 29 weaker at 9,684.

Analysts attributed fairly heavy turnover of about L1,000bn to position squaring ahead of the introduction today of a new, five-day settlement system.

Among industrials, Fiat rose L50 to L5,240 and Olivetti finished L14.4 higher at L941.7; in mixed telecoms, Stet receded L26 to L4,753.

ZURICH edged ahead in thin trade ahead of today's Soffex options expiry, and the SMI index picked up 6.1 to 3,272.2.

Industrials were out of favour in response to an easing dollar, but rising futures on government bonds led to renewed interest in financials.

Among the banks, SBC, which said late in the day that it would raise its cash bond rates by 25 basis points, rose SFr6 to SFr439.

Swiss Re jumped SFr22 to SFr1,235, profiting from positive market expectations over its future profits outlook. Credit Suisse commented that in the long term the above average earnings momentum and expected higher p/e ratio should result in a clear outperformance. Winterthur Insurance rose SFr12 to SFr792.

Ascom moved up SFr10 to SFr1,310 ahead of announcing a small fall in 1995 sales which, it said, was in line with its own target.

STOCKHOLM offered a contrast in and around the automotive sector as the Affärsvärlden General index shed 10.0 to 1,809.0.

Volvo B rose SKr5 to SKr140 after showing its new S40 model to analysts, one of whom said that it was a very good presentation. However, Investor's planned sale of a 70 per cent stake in the truck-maker Scania received a much colder reception, Investor Bs falling SKr4 to SKr240.50 on disappointment that only 20 per cent would be offered to existing shareholders.

ISTANBUL made solid progress on hopes that the Motherland party would reach a compromise with the pro-Islamist Welfare party to form a coalition government.

The composite index rose 2,514.89 or 4.8 per cent to 54,045.01. Turnover was TL11,350bn, up 44 per cent from Wednesday's figure.

WARSAW fell for the third consecutive session as turnover eased and analysts said that the market now seemed to be in a downward phase that could last until the end of the month.

The Wig index lost 1 per cent to 10,554.6 as turnover fell 31.6 per cent to 104.4m zlotys.

Analysts said that the release of January corporate earnings reports starting today might help to encourage some new buying.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Hint of higher interest rates leaves Nikkei easier

Tokyo

Comments by the finance minister that domestic interest rates might be too low caused a flurry of selling on both the futures and bond markets and left equities weaker, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was off 57.40 at 20,886.19 after fluctuating between 20,751.05 and 21,010.36. Comments by Mr Wataru Kubo, the finance minister, that low interest rates were hurting pensioners, and that monetary policy should be handled with such individuals in mind, prompted selling. However, there was some buying later by foreigners.

Volume came to 500m shares, against 456.2m. The Topix index of all first section stocks fell 7.15 to 1,610.26 and the Nikkei 300 shed 0.93 to 301.43. Declines led rises by 695 to 333, with 183 issues unchanged.

In London the ISE/Nikkei 50 index lost 2.65 at 1,412.81.

Mr Kubo's comments also drove the dollar lower, weakening sentiment further. Brokerage dealers sold in order to adjust their positions, while individuals liquidated speculative issues on fears of a rise in interest rates.

Nissan Motors fell Y9 to Y848 on worries about larger than expected losses at its Mexican operations. Reports that the company's consolidated losses could total Y80bn unnerved investors. Other car companies were firmer, however, with Honda Motor up Y10 to Y2,800.

Profit-taking hit oils: Nippon Oil declined Y10 to Y653 and Cosmo Oil Y19 to Y572. Traders said overseas investors continued to indicate interest, owing to the firmness in crude oil prices.

Banks were lower amid the parliamentary testimonies over the *jusen* crisis. Industrial Bank of Japan fell Y20 to Y2,930 as Mr Yo Kurosawa, the bank's president, testified before the parliamentary budget committee, and was confronted with allegations that the bank had shifted bad loans to its affiliate. Other banks were also weak, with Mitsubishi Bank down Y20 to Y2,300.

Concerns over semiconductor demand weighed on high-technology stocks. Toshiba retreated Y15 to Y820 and Fujitsu Y20 to Y1,090.

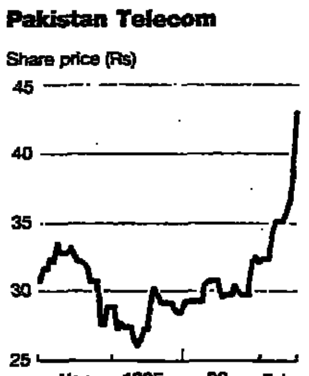
In Osaka, the OSE average slipped 108.88 to 22,310.96 in volume of 169.8m shares.

Roundup

Demand for blue chips drove KARACHI further ahead. Even after late profit-taking, the KSE index finished 31.35 or 1.7 per cent higher at 1,854.45, after 1,868.23. Turnover hit a record high of Rs67m.

Pakistan Telecom was a star performer. It hit a day's peak of Rs43.90, encouraged by the overnight rise in its GDRs on Wall Street, and ended Rs3.75 or 9.6 per cent up at Rs42.75. Brokers remarked that the stock was currently a favourite among speculators, ahead of its privatisation in the next few months.

Pakistan Telecom



Source: FT Extel

HONG KONG was swept forward by soaring index futures, and the Hang Seng index finished 107.35 ahead at 11,471.81 after pushing to within three points of the year's high at 11,521.06. Turnover improved to HK$6.1bn.

Among major property stocks, Cheung Kong and Sun Hung Kai Properties put on 75 cents to HK$56 and HK$72 respectively, and Henderson climbed HK$1 to HK$57.75.

SINGAPORE signalled that the recent consolidation has been completed, the Straits Times Industrial index ending 37.42 up at the day's best of 2,439.21.

Fraser & Neave led the index gains, adding 70 cents at S$20.00, followed by Keppel Corp, 50 cents harder at a new high of S$14.20.

Analysts noted that foreign funds were still cautious but suggested that the forthcoming 1996 budget and the March earnings season would help to spur activity after next week's holidays.

KUALA LUMPUR firmed on program buying of key blue chips, but activity remained thin ahead of next week's holiday. The composite index gained 4.56 at 1,064.23 in volume of 190m shares.

Against the trend, Genting receded 20 cents to M$23.00 on speculation that the company would announce disappointing 1995 earnings. Dealers said, however, that earlier rumours of a call warrant issue had faded.

SEOUL eased on profit-taking after the sharp rises recorded by some stocks in recent days, and the composite index ended 0.63 off at 869.35.

Insurance shares were among the main losers, with the sub-index skidding 66.72 to 5,204.43. International Fire and Marine Insurance fell Won1,400 to Won71,600, and Ssangyong Fire and Marine by Won500 to Won25,700.

BOMBAY finished lower in a technical correction after the almost uninterrupted rally which had taken the market up by 25 per cent since January 29. The BSE-30 index gave up 38.88 to 3,542.12 and analysts noted that the momentum of foreign inflows seemed to have slowed with offshore funds imposing stricter limits on purchases.

BANGKOK closed fractionally higher in moderate trade. The SET index made 1.67 to 1,380.87 in turnover of Bt6bn.

Cogeneration, in the energy sector, topped the list of most active stocks, gaining Bt5 at Bt98.50, while Bangkok Bank, the country's largest financial institution, shed Bt4 to Bt242.

TAIPEI saw light trade as sentiment remained cautious ahead of China's proposed military exercise near the island starting next week. The weighted index dipped 27.37 or 0.6 per cent to 4,809.02. Turnover was light at T$16.5bn.

MANILA lost ground after three successive rises, with sentiment soured by news of a grenade attack in the financial district of Makati. The composite index eased 9.69 to 2,933.70, but was off an intraday-low of 2,908.83. Volume was 8.9bn shares worth 2.1bn pesos.

SYDNEY was influenced by the overnight fall on Wall Street, as the All Ordinaries index lost 2.3 to 2,298.5 in turnover of A$712.8m.

WMC lost 27 cents to A$8.08 after worse than expected half-year results, and Ampolex shed 5 cents to A$4.18 after it said that Mobil's planned A$4.25 a share offer was insufficient, and advised shareholders to take no action. The golds index rose 17.7 to 2,173.4, with Great Central Mines up 8 cents at A$3.50 and Newcrest Mining 13 cents higher at A$6.20.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY FEBRUARY 14 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY FEBRUARY 13 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	200.32	0.9	193.05	135.24	153.01	176.10	0.5	3.79	198.50	191.90	134.21	152.54	175.26	200.32	158.71	158.71
Austria (26)	184.42	–0.1	177.72	124.51	140.86	140.69	–0.7	1.53	184.67	178.54	124.86	141.92	141.74	199.28	168.11	172.06
Belgium (34)	210.34	0.3	202.70	142.01	160.66	158.74	–0.3	3.36	209.68	202.72	141.77	161.14	157.18	215.81	170.57	170.57
Brazil (28)	166.69	–1.4	160.64	112.54	127.32	300.93	–1.3	1.54	169.00	163.39	114.27	129.88	304.89	170.25	86.06	125.43
Canada (101)	157.70	–0.1	151.97	106.47	120.45	157.32	0.3	2.39	157.87	152.63	106.74	121.32	156.81	158.71	125.64	126.36
Denmark (33)	304.88	0.4	293.81	205.84	232.88	235.76	–0.2	1.51	303.80	293.71	205.41	233.47	236.28	304.88	252.41	259.69
Finland (24)	183.39	0.1	176.72	123.81	140.07	176.73	–0.1	1.81	183.13	177.05	123.82	140.73	176.91	276.11	171.13	189.88
France (99)	183.63	–0.6	176.96	123.97	140.26	145.84	–1.1	3.12	184.67	178.53	124.86	141.92	147.43	191.17	161.53	164.94
Germany (60)	170.54	0.3	164.35	115.14	130.26	130.26	–0.3	1.65	170.02	164.37	114.95	130.66	130.66	171.28	142.25	147.36
Hong Kong (59)	441.70	1.3	425.66	298.20	337.38	438.52	1.3	3.23	436.09	421.61	294.86	335.14	432.91	448.01	318.35	318.35
Ireland (16)	255.92	0.0	246.63	172.78	195.48	228.16	–0.4	3.46	256.01	247.51	173.10	196.74	229.17	262.70	205.44	210.84
Italy (59)	75.56	–4.6	72.82	51.01	57.72	89.11	–3.9	1.67	79.21	76.58	53.56	60.88	92.75	82.71	65.45	81.16
Japan (482)	152.76	0.6	147.21	103.13	116.68	103.13	0.5	0.74	151.80	146.76	102.64	116.66	102.64	164.82	136.95	143.07
Malaysia (107)	517.58	0.7	498.78	349.43	395.34	508.82	0.6	1.65	513.82	496.76	347.42	394.87	503.93	561.96	425.77	481.99
Mexico (18)	1143.25	2.0	1101.73	771.84	873.24	9406.69	1.4	1.48	1121.26	1084.03	758.13	861.68	9274.16	1237.14	647.81	1013.41
Netherland (19)	283.23	0.9	272.94	191.21	216.33	212.63	0.2	3.07	280.70	271.38	189.79	215.71	212.09	283.23	222.79	222.79
New Zealand (14)	79.17	–0.3	76.29	53.45	60.47	62.27	–0.6	4.67	79.42	76.78	53.70	61.03	62.63	85.49	72.35	72.35
Norway (33)	233.88	0.7	225.38	157.90	178.64	203.91	0.2	2.15	232.23	224.52	157.02	178.47	203.45	243.79	202.76	214.11
Singapore (44)	447.96	0.3	431.68	302.43	342.16	291.89	0.2	1.38	446.57	431.74	301.94	343.19	291.34	465.21	342.37	346.21
South Africa (45)	419.21	0.2	403.99	283.02	320.20	334.04	0.2	3.56	418.37	404.47	282.87	321.51	333.52	437.76	302.03	303.03
Spain (37)	167.47	0.4	161.38	113.06	127.91	157.01	–0.1	3.82	166.80	161.26	112.79	128.19	157.20	168.91	124.10	135.84
Sweden (47)	315.34	–0.3	303.89	212.89	240.86	324.75	–0.3	1.90	316.24	305.74	213.82	243.03	325.75	324.31	232.23	247.32
Switzerland (38)	225.44	0.7	217.25	152.20	172.19	167.62	0.2	1.59	223.84	216.40	151.34	172.02	167.36	239.55	169.22	169.22
Thailand (46)	187.66	0.8	180.84	126.69	143.34	184.05	0.6	2.03	186.51	180.32	126.11	143.33	182.96	193.95	130.15	149.21
United Kingdom (205)	232.31	0.3	223.87	156.84	177.44	223.87	0.0	3.87	231.65	223.96	156.63	178.02	223.96	232.53	192.74	193.99
USA (631)	266.95	–0.6	257.25	180.23	203.90	266.95	–0.6	2.16	268.59	259.67	181.60	206.41	268.59	269.11	197.20	197.55
Americas (778)	243.64	–0.6	234.79	164.49	186.09	204.83	–0.6	2.16	245.06	236.92	165.70	188.33	206.01	245.54	180.00	181.20
Europe (731)	203.40	0.0	196.02	137.32	155.36	175.87	–0.4	2.96	203.38	196.62	137.51	156.30	176.54	204.32	169.63	171.78
Nordic (137)	279.79	–0.0	269.63	188.89	213.71	247.16	–0.2	1.84	279.81	270.51	189.19	215.03	247.67	295.02	222.22	235.72
Pacific Basin (833)	166.05	0.7	160.01	112.10	126.83	115.02	0.5	1.16	164.92	159.44	111.51	126.74	114.41	171.87	145.95	151.03
Euro-Pacific (1564)	181.50	0.4	174.91	122.54	138.64	138.14	0.1	2.00	180.84	174.83	122.27	138.97	139.00	183.39	156.37	159.57
North America (732)	260.20	–0.6	250.75	175.67	198.74	259.59	–0.6	2.17	261.75	253.06	176.98	201.15	261.10	262.26	192.77	193.14
Europe Ex. UK (526)	183.22	–0.1	176.56	123.70	139.95	149.02	–0.6	2.38	183.48	177.38	124.05	141.00	149.88	184.61	152.92	156.89
Pacific Ex. Japan (351)	288.96	0.9	278.46	195.08	220.71	253.34	0.7	2.90	286.36	276.85	193.62	220.07	251.47	291.91	229.25	229.28
World Ex. US (1756)	183.28	0.3	176.62	123.74	139.99	142.47	0.1	2.04	182.64	176.58	123.49	140.36	142.32	184.71	156.72	159.95
World Ex. UK (2182)	206.84	–0.1	199.33	139.64	157.99	173.71	–0.2	1.90	207.04	200.17	139.99	159.11	174.09	207.64	166.82	169.00
World Ex. Japan (1905)	240.31	–0.3	231.58	162.24	183.56	226.25	–0.4	2.49	240.96	232.96	162.92	185.18	227.17	240.96	187.55	187.80
The World Index (2387)	209.12	–0.1	201.53	141.18	159.73	178.30	–0.2	2.09	209.26	202.31	141.49	160.81	178.66	209.68	169.20	171.21

Latest prices were unavailable for this edition.

After the Docklands bomb IRA hopes pro-British paramilitary organisations will maintain their ceasefire

London police 'make safe a small device'

By John Kampfner at Westminster and John Murray Brown in Dublin

Fears of a full resumption of the Irish Republican Army's terror campaign increased yesterday as police said they had "made safe a small device" in central London. Scotland Yard said the device "bore all the hallmarks of the Provisional IRA" and criticised *imprecise* locations given in two coded warnings.

The incident came in the wake of an IRA warning that it *would not restore the ceasefire* it abandoned last Friday shortly before it detonated a bomb in the Docklands area to the east of the City of London.

Several streets and Underground stations were closed for a few hours during a *search* which centred on a telephone kiosk. Office workers were told to stay in buildings. The "device" was found close to the *scene of* a bomb attack on a pub near Long Acre in which a customer died.

In Ireland, the IRA said it had been given "a clear, unambiguous" understanding by the former government of the *government of the Republic of* Ireland that detailed negotiations about the future of Northern Ireland would begin soon after a ceasefire. It said the present government of the republic had been informed of that when it came to power.

But Mr John Bruton, the *prime minister*, said he had not been told of any such deal. Officials of Mr Bruton's government are due today to have their first contacts since last week's London bomb with Sinn Féin, the political wing of the IRA. But the ominous statement from the IRA (right) reinforced British and Irish fears of a series of terrorist attacks in the weeks ahead. Britain has already restored a number of the security measures relaxed after the ceasefire was introduced in August 1994. The first contingent of 500 extra troops sent back from the mainland began arriving in Northern Ireland early yesterday.

The IRA denied that last week's bomb in London had highlighted a split in the republican movement and said it wished Sinn Féin success in efforts to secure all-party talks.

Mr Michael Ancram, a Northern Ireland minister in the British government, yesterday reiterated the government's commitment to elec*tions to a constitutional* convention. "There can be elections without ceasefires," he said in Northern Ireland. "There can be negotiations between democratic parties who accept democratic principles. That process will continue."

But he refused to be drawn *on the possibility of Sinn Féin* being allowed to take part in elections without a new IRA ceasefire. Senior UK and Irish officials met in London to prepare an anticipated summit between prime ministers John *Major and John Bruton next* week.

The two governments appear to be heading towards a compromise in which the Irish *plan for brief Dayton-style* "proximity talks" could take place soon, followed by elections in Northern Ireland on the pattern suggested by the British government. These, in theory, would prepare the *ground for all-party* negotiations on a political settlement.

Soldiers of the British army's Royal Irish Regiment unloading equipment yesterday from a Royal Air Force Hercules at Belfast. The soldiers are among 500 newly posted to Northern Ireland

The Irish Republican Army will continue "to assert Irish national rights in the face of British denial *for as* **long as necessary," a spokesman for the organisation's "general headquarters staff" said yesterday in an interview with** *the republican newspaper* **An Phoblacht (The Republic).**

He added that the end of the 17-month ceasefire was brought about by "John Major's cynical misuse and betrayal of the historic opportunity offered by the Irish peace initiative . . . He has betrayed the Irish peace pro*cess and has* deliberately squandered this opportunity to resolve the causes of the age-old conflict between Britain and the Irish people."

He hoped anti-republican "loyalist" paramilitary *organisations would not abandon* their ceasefire, called in 1994 soon after the IRA cessation.

"The IRA have no desire to engage loyalists in any military sense," said the IRA spokesman. "We do know that they have continued to very actively target nationalists . . . On the other hand they have shown them*selves capable of imaginative* and radical thinking at times."

Scott report on arms for Iraq Guidelines on sensitive exports were discreetly relaxed

'Concealing of policy was reprehensible'

By Jimmy Burns in London

On September 24 1980, President Saddam Hussein invaded Iranian territory, sparking off a bloody conflict between neighbours. In January 1981, the *British cabinet's* overseas and defence committee, chaired by prime minister Mrs Margaret Thatcher, agreed that although lethal arms and ammunition should not be supplied to either side, "every opportunity should be taken to exploit Iraq's potential as a promising market for the sale of defence equipment". To that end lethal items should be interpreted in the "narrowest sense and the obligations of *neutrality as flexibly as possible*".

The flexible interpretation was supported strongly from the outset by the Ministry of Defence and UK defence businesses, notably International Military Services, a government-owned company.

In 1981 IMS negotiated a multi-million pound contract for the building of a secretive weapons complex in Basra, southern Iraq, which included *testing facilities* for Exocet missiles. Mr John Nott, the defence secretary, wrote to the Iraqi ambassador in London, assuring him that the UK government would fully guarantee the performance of all IMS's contractual obligations.

The UK's commercial links with Iraq were underpinned following the start of the Gulf war with trade credits approved through the Export Credits Guarantee Department. *Part of these credits included a* defence allocation of £50m ($77m) that was kept secret. "The concealing of that policy from parliament was . . . reprehensible", yesterday's report states. Other defence equipment, including dual-use items ostensibly for civilian *purposes but easily converted* to military ends, began to flow towards Iraq rather than Iran although the UK continued to supply both countries.

Scott's main points

DEFENCE SALES TO IRAQ Decision to relax government guidelines not revealed to parliament. Government statements in 1989 and 1990 "consistently failed" to comply with recognised standards of procedure. Overriding and determinative reason was "fear of strong public opposition".

WILLIAM WALDEGRAVE (Treasury minister) Failure to inform parliament of government policy on arms sales "deliberate" and view on revised guideline "not even remotely tenable".

SIR NICHOLAS LYELL (attorney-general) Showed "unsound" judgment in applying for public interest immunity certificates and "a serious misunderstanding of the role and duty of a minister" making such an application.

OTHERS Lord Howe and Foreign Office staff rapped for misleading parliament over government guidelines and arms policy. Lord Howe's reasons were not "sufficient" to give parliament and the public information which was "incomplete and in certain respects misleading". Ministers who signed PII documents, and especially Michael Heseltine (now deputy prime minister), exonerated.

PII CERTIFICATES Some documents covered by so-called gagging orders were "not warranted by authority" and "ought to have had no place in a criminal trial". "Defects" cited in their preparation and signing

THE MATRIX CHURCHILL TRIAL "Ought never to have commenced".

At the end of 1984, Sir Geoffrey Howe, the foreign secretary (now Lord Howe), approved a new set of guidelines which, though intended by some officials to be more restrictive, were open to diverse interpretation.

The government would "not in future approve orders for any defence equipment which in our view would significantly enhance the capability of either side to prolong or exac*erbate the conflict*".

Lord Howe, in a move criticised in the report, agreed that the guidelines should initially circulate within Whitehall and only "trickle out" in response to parliamentary questions.

By 1987 there was a *16-page* list of defence equipment exports to Iraq which had been approved by government. The list included radar systems, spares for jet aircraft, laser rangefinders, reinforced helmets and high-precision lathes.

Iraq grew in the 1980s to become the third-biggest export market for the UK machine tools industry. By the *end of 1988*, and with two years to go to the invasion of Kuwait, the annual value of UK machine-tool exports to Iraq stood at £31.4m.

Initially machine tools made by British companies were des*tined for the production of* artillery shells, although an early batch from Colchester Lathes, a subsidiary of the 600 Group, were officially marked in the export *applications* for the "manufacture of jigs, fixtures, dies and general engineering products".

Three junior ministers – Mr William Waldegrave (Foreign Office), Mr Alan Clark (Depart*ment of Trade*), and *Lord Trefgarne* (Ministry of Defence) – decided in December 1988 to change the wording of the guidelines. "No arms to enhance the military capability of either side" was replaced by the *much looser "no arms for* offensive operations".

The three ministers agreed not to publicise the change in wording, and parliament continued to believe that the old guidelines curbing UK defence *exports to Iraq remained in* place.

Among the more controversial exports covered by report are those involving Matrix-Churchill and other British companies in the development of Iraq's own conventional weapons and nuclear industry in the run-up to the invasion of Kuwait. Matrix-Churchill became part of an Iraqi procurement network spanning several countries including the US and Chile.

Matrix Churchill machines were found by UN inspectors after the 1990-91 Gulf war in Iraqi military establishments involved in a nuclear programme. UK components were also supplied by British companies for Iraq's so-called Supergun.

Thatcher ministers criticised while she is cleared

By George Parker at Westminster

Baroness Thatcher was prime minister throughout the 1980s, and head of a government which is criticised severely by Sir Richard Scott. Yet she emerges from the report with her reputation almost intact.

Sir Richard could find no evidence that the Mrs Margaret Thatcher, as she then was, knew of the relaxation of guidelines on arms sales to Iraq agreed by her junior ministers. The former prime minister was not "formally informed of the changes", he says.

Mr Alan Clark, *the former* trade minister, told the inquiry that Mrs Thatcher had been informed of the new approach, but Sir Richard says that assertion was not based on any direct knowledge. "There is no documentary indication that the prime minister was at any stage after December 1988 consulted about or kept in touch with the development of defence sales policy towards Iran or Iraq," the Scott report says.

Sir Richard says Mrs Thatcher did give an erroneous answer to a parliamentary question on April 21 1989, in which she said the government had not changed its policy on arms sales to Iraq. "This answer, drafted in the DTI [Department of Trade and Industry], was inaccurate and misleading," he says. "Mrs Thatcher had not been kept abreast of the change."

Lady Thatcher, now aged 70, told the inquiry she had no *knowledge of the* way the guidelines were operated but should have been told of the decision by *junior ministers to relax them following* the 1988 ceasefire in the Iran-Iraq war.

But other former ministers are subject to criticism, some of it scathing. Mr Tristan Garel-Jones, a junior Foreign *Office minister at the time of the Matrix* Churchill trial, is lambasted for the wording of his public interest immunity certificate. Mr Garel-Jones claimed in his certificate that the disclosure of documents revealing Matrix Churchill's involvement with the security services could cause "unquantifiable damage". In his evidence to the Scott inquiry, Mr Garel-Jones said the expression could have been taken to mean "unquantifiably small". Sir Richard said such a sug*gestion was "risible"*.

Lord Howe, who was foreign secretary from 1983 to 1989, also faces *criticism from Sir Richard, who says he* sent letters to MPs about the relaxation of the rules which were "untrue" and "misleading" in important respects.

Lord Howe is said to have been aware of a "broad relaxation" of policy in the summer of 1988, even if he was not aware of the detail. He defended his failure to reveal the "reformulation" of policy on the grounds that it could be damaging to foreign policy.

But Sir Richard concludes that Lord Howe went too far in disguising the change. "A formulation could, and in my opinion should, have been found which would at least have avoided being misleading."

Names switch stance on auditors

By Ralph Atkins, Insurance Correspondent

Lossmaking Names have raised the stakes in negotiations with auditing firms caught in legal actions over Lloyd's of London. They are suggesting that the auditors *may be left out of a planned* out-of-court settlement – so that they could still be pursued for compensation.

News of the move comes as pressure mounts before the implementation of Lloyd's *recovery plan*.

This includes a settlement offer worth £2.8bn ($4.3bn) to lossmaking and litigating Names, the individuals whose assets have traditionally supported Lloyd's. Names had wanted auditors – including some of the "Big Six" accountancy firms – to help increase the settlement fund to above £3bn.

Now, however, some Names believe their interests may be

LLOYD'S
LLOYD'S OF LONDON

best served by settling with other parties, including Lloyd's agents – while reserving rights to litigate against auditors.

Auditors have been attacked for allowing Lloyd's syndicates' annual accounts to close without taking proper account of future liabilities.b

Under the Lloyd's recovery plan, billions of dollars' worth of US pollution and asbestos-related liabilities outstanding on old insurance policies would be transferred to a new company, Equitas, but at a cost to Names of an extra £1.9bn.

Mr Michael Deeny, chairman of the Gooda Walker action group – representing many of the worst-hit Names – said: "Many action groups would prefer to keep the auditors out of the settlement because we would be able to claim the £1.9bn in Equitas premiums off them, on top of the £1.5bn losses that we're already claiming."

UK NEWS DIGEST

Minister hails end of 'workers' power' era

Britain is experiencing "a spectacular economic recovery" with rapidly falling unemployment and rising inward invest*ment, Mrs Gillian Shephard, education and employment secre*tary, said in Paris. She said the country's success was a result of the government action to cut taxes on employers, increase job flexibility and curb trade union power. During the 1970s the UK had experienced "workers' power" which brought high unemployment, strikes, inflation and economic stagnation, Mrs Shephard said in a speech delivered in French.

"This is why we radically changed our thinking in the 1980s and decided to reform the labour market and relations between bosses and workers", Mrs Shephard continued. "This policy is today considered by the majority of the British people as irreversible". Britain had rejected the social chapter of the European Union's Maastricht treaty to avoid compromising the country's policy of employment deregulation, Mrs Shephard said. "Too powerful trade unions and an overregulated job market will never be factors in economic growth or increase of jobs in the UK". But this did not mean she was *telling the French to do the same as the British*. "I have no intention of telling another country what is the best way it should decide its employment policy."

Robert Taylor, Employment Editor

Rational EU debate urged

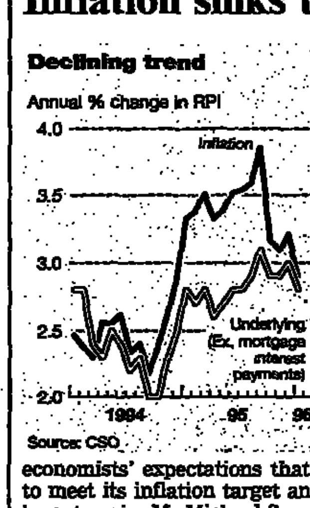
The business debate on Europe had to focus on three areas of interest, said Mr Adair Turner, director-general of the Confederation of British Industry. They involved a practical programme to complete the single market – including liberalisation in sectors such as telecommunications, more effective *elimination of state aid and more rapid translation of single* market directives into national legislation, he told a forum in London organised by the pro-Brussels European Movement.

Businesses also wanted sensible debate on a pragmatic approach to institutional reform, especially in those areas affected by future European Union enlargement. Mr Turner said that the CBI, the biggest lobby for British employers, supported enlargement as a means of creating a bigger market. But he warned that it could not occur without a review of structural funds and the Common Agricultural Policy.

He said support for European economic and monetary union should not be used as the sole measure of "good Europeanism". To establish the best options for UK business there had to be rational discussion of a single currency based on "logic and facts rather than emotion and slogans".

Michael Cassell, Business Correspondent

Inflation sinks to 13-month low



A *sharp fall in mortgage costs* and steep price discounting after Christmas pushed inflation last month to its lowest level for more than a year. The annual rate of retail price inflation fell from 3.2 per cent in *December to 2.9 per cent* last month, the Central Statistical Office announced. That was the first time it had been below 3 per cent since December 1994. The underlying inflation rate – which excludes mortgage interest payments on loans to homebuyers – fell to 2.8 per cent in January from the previous month's 3.0 per cent. The figures reinforced economists' expectations that the government was on course to meet its inflation target and that interest rates would soon be cut again. Mr Michael Saunders, UK economist with the US investment bank Salomon Brothers, said: "Inflation is likely to fall further in February with the headline and underlying rates down to about 2.5 per cent." The government's target is to bring underlying inflation down to between 1 per cent and 2.5 per cent by *spring 1997*.

Graham Bowley, Economics Staff

GKN faces component rival

GKN faces a potential challenge to its world-leading role as producer and licenser of the mechanism which allows front-wheel-drive cars to work – the constant velocity joint. The joint has a market of about 180m *units a year, worth more* than $4bn, of which GKN makes about 34 per cent and licenses its technology to manufacturers around the world. Rival technology – still at an early stage of development – is being developed by FF Ricardo, the UK engineering consultancy group, *for Jersey-based company Transmission Systems under* a joint venture with Lica, the London investment capital group.

The "Lica CV Joint" has been patented in 57 countries and this week was claimed by its developers to be lighter, *smoother, more efficient and potentially longer-lasting than* conventional CVJs. The joint is said to be fully efficient even when a car or truck is being turned on maximum *steering lock* – a condition where conventional CVJs can suffer high wear.

While GKN is refusing to comment on the rival technology, its own engineering assessment is understood to raise doubts about it in several areas including its ability to withstand *high-speed operation, heat generation and vibration*. Mr Derek Barnard, Transmission Systems' managing director, said the criticisms were groundless. The technology would start full trials in about a year.

John Griffiths, Industrial Staff

Forgotten anniversary: The 25th anniversary *of the full* replacement of old currency with decimal coinage passed almost unremarked yesterday. Many people polled about the anniversary had forgotten the names of coins that had been used for more than a hundred years. The present system in which 100 pence add up to £1 replaced a pound consisting of 240 pence or 20 shillings. Until 1956 the penny was itself *divided into four farthings.*

Executive pay reform is opposed

By William Lewis and Jim Kelly

Companies yesterday sought to *prevent implementation* of one of the most controversial executive pay reforms to be proposed in recent years, angering some institutional investors and members of an influential directors' pay group.

The *Confederation of British* Industry said it did not want directors of public companies to have to disclose the full capital value of their pensions, a reform put forward by actuarial experts following publication of the Greenbury committee's report on executive pay.

Instead the CBI said that a "significant majority" of its members wanted the *disclosure* of directors' pensions to use a *method called* "accrued benefit". This method – one of *the five options* put forward by actuaries on behalf of Greenbury – would result in lower figures being disclosed and smoothed out over time. It defended the choice as being based on "facts not conjecture" and being in line with US practice. It added that large pay increases would still be *reflected in the benefits shown*.

Sir Richard Greenbury, *chairman* of the Greenbury committee and of the Marks & Spencer retail chain, said he supported the accrued benefit method. "It is a personal view, but I think that is the best way forward," he said yesterday. The Institute of *Directors also* backs the method.

The move angered at least two Greenbury committee *members* and top institutional shareholders who complained that it was part of an attempt to water down several of the committee's original demands.

Actuarial experts were *asked* by Greenbury to put forward a method of "*transfer value*" – in which some companies would *have had to reveal* huge capital benefits in their accounts. However, companies lobbied the London Stock Exchange and government to reconsider, *and the same actuarial experts* agreed to publish a consultative document to which the CBI was responding yesterday.

But one Greenbury committee member said: "I am very depressed about this." He added that the CBI method did not follow the spirit of Greenbury: "*There are a lot of vested* interests around."

The National Association of Pension Funds, a representative body for fund managers, is expected to publish its recommendation on pension disclosure soon, and it is thought to oppose the accrued benefit method. *Greenbury members* say the pensions issue is the *latest* example of some of the report's recommendations being diluted. Parts of the Greenbury code on pay now only have to be "given full consideration" by public companies. Shareholders' right to vote on certain bonus plans for directors are also in doubt.

Mr Martin Broughton, chief executive of BAT and chairman of the CBI's companies committee, said the accrued benefit method was backed by the Association of British Insurers, a body representing fund managers. He insisted that the CBI's chosen method *was* in line with *Greenbury* committee principles. "We believe the accrued benefit method will provide the information as simply as possible, so that it is readily understood by both shareholders and companies without needing an actuary at their elbow." The *Institute and Faculty of Actu*aries is considering responses to its consultation paper and is expected to recommend a method within two months.

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Interest in Forbes tax idea grows

By James Blitz at Westminster

Mr Steve Forbes, the US *millionaire publisher*, has just suffered a setback in his bid for the Republican presidential nomination. Yet this is also the week when his flagship idea – the introduction of a flat rate of tax to cover all incomes – *became a new watchword for a* group of MPs in Britain's governing Conservative party.

Some Conservatives have put pressure on the government to consider a long-term commitment to a flat rate of tax which would replace the complex structure of income taxation *in Britain*.

It is a remarkably radical *proposal even* by the *standards* of the current Conservative party. Yet it has not been dismissed by Treasury ministers who tend to be unusually cautious about such sweeping innovations. The concept is simple. The current structure of the tax system, with three rates of income tax and about 30 reliefs and allowances, would be *swept* to one side. In its place would come a single positive rate of tax for all incomes – 10 per cent and 15 per cent are the figures most favoured by the MPs proposing the idea – and the abolition of *every existing form of relief*.

The only allowance would be an income tax exemption ensuring that people on low pay are kept out of tax and that their payments to the Inland Revenue are progressive.

Some MPs were passionate *in their claims for flat taxation* this week. Mr Nigel Forman, a respected member of the House of Commons Treasury committee, said the idea had "considerable merits" and should not just be seen only in a US context.

Mr David Shaw, Conservative MP for Dover, argued that a flat tax would mark "the end of big government and complex systems of taxation".

The government has been cautious so far. But Mr Michael Jack, financial secretary to the Treasury, surprised some MPs this week by conceding that his backbench colleagues were "putting forward ideas *that should be considered by* anyone thinking about the future of taxation".

What are the arguments in favour? Mr Forman gives five. He argues it would greatly simplify the calculations which taxpayers have to make, and reduce tax evasion through *more* transparent arrangements. It would "enhance the country's competitive position internationally" through lower rates and encourage people to take a closer interest in public expenditure restraint.

Above all, he says, it would reduce the potential for "social engineering" by means of specific tax incentives, reducing the number of people who take social and business decisions because of tax incentives.

But Mr Jack has raised several objections. To be attractive, a flat rate would almost certainly involve an immense cut in government revenue. Treasury calculations show that a 15 per cent *flat* rate of tax with an income-exempt allowance of £7,000 ($10,780) would reduce the government's revenue yield by £32bn at 1996-97 income levels.

To be revenue neutral, the flat rate of tax would have to be set at 27 per cent – well *above existing basic* and lower rates – with an allowance of £7,000.

Another argument cited by British ministers is that of a flat rate of tax would have less impact in the UK than in the US, where a more complex tax code continues to exist.

MANAGEMENT

The stakeholding company has more than one responsibility and measure of success, argues **John Kay**

The root of the matter

What is a stakeholding corporation? The debate is between those who think that Barclays, Glaxo and BT exist to maximise returns to their shareholders; and those who think they have wider, but more specific, objectives.

They should seek to be outstanding businesses in their field. The corporate objective of Barclays is to be a great bank; Glaxo should aspire to be a fine drug company; and BT's purpose is to be an effective provider of telecommunications services.

And what do we mean by a good business? A successful bank, pharmaceutical company or telecoms business is one which meets the legitimate, and changing, needs of its many stakeholders. It delivers quality and value to its customers, provides a secure and rewarding environment for its employees, develops productive partnerships with its suppliers, earns high returns for its investors and deserves and receives the respect of the community within which it operates.

The phrase "a good business" is like the phrase "a beautiful view". It is multi-faceted, and not quantifiable, but nobody has much difficulty in recognising it. Almost everyone would agree that Barclays is a better bank than BCCI, Glaxo a better pharmaceutical company than Distillers, and BT a better telephone operator than it was.

Put like this, stakeholding theory seems barely controversial. There are not many people at Barclays who do not share an aspiration to be a great bank. And if you ask the people at Barclays what they are trying to do, 100 people will tell you that, for every one who mentions shareholder value.

So what is the argument about? Opponents of the stakeholder approach do not, of course, suggest that firms should ignore the interests of their customers and their employees. They argue that competitive markets require that firms will do these things anyway.

A profit maximising firm will deliver good value for its customers, and develop the skills of its employees; not because these things are ends in themselves, but because they will lead to higher profits in the long run. Now if there is no difference between the theories, there is not much point in going on arguing.

But there is a big difference. The shareholder value approach is fundamentally instrumental: meeting customer needs is a means not an end. When the shareholder value maximising firm expresses concern for the welfare of its employees, it does so not because it has genuine concern, and if its managers do they must try to suppress it; it does so because it fears that failure to express such concern will be bad for its long-term profitability. Even if the actions which follow appear to be the same, the difference is profound.

We do not need to have read Kant's moral philosophy to appreciate the difference between the person who proffers his friendship because he likes you, and the person who proffers it because he hopes to sell you double glazing. Both may buy you a drink but one is admirable, the other repulsive.

The phrase 'a good business' is not quantifiable

The commercial difference is that the double glazing salesman's smile is effective only for activities like the purchase of double glazing, which happens only once. It is in this very fundamental sense that stakeholding economies are long term and shareholder ones are not.

What is wrong with instrumental approaches to human relationships is not just that they are immoral. It is also that they rarely work for long. And mostly, we understand that. Opponents of stakeholding therefore point to undeniably successful businesses, such as Marks & Spencer or Matsushita, which make profits at the same time as they provide value for customers and satisfaction to employees, and argue that pursuit of maximum profit inevitably leads companies to fulfil the interests of other stakeholders as well. But this argument is topsy turvy.

One need look no further than Robert Maxwell or Michael Milken to see that it is possible to make very large amounts of money without establishing enduring businesses of substance or value, or meeting any real needs other than your own. In contrast, no one who reads about Matsushita or M&S can be in any doubt that the primary objective of those who built them was to create good businesses.

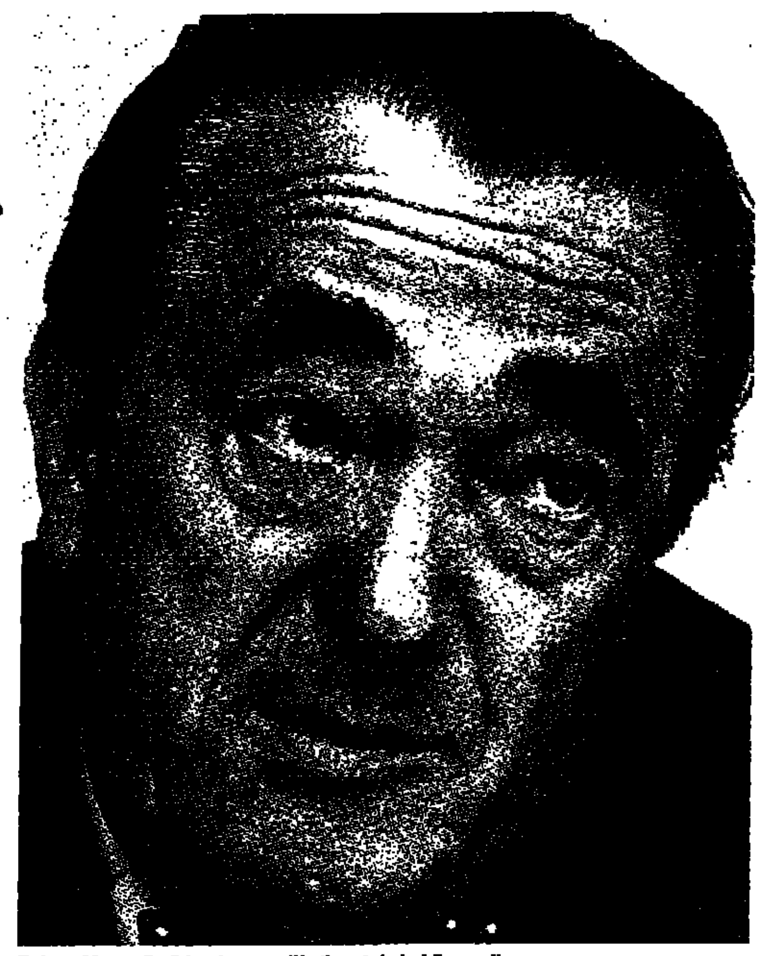
The essential point is not that profitable businesses are good businesses – they may or may not be – but that good businesses are profitable. And for the straightforward reason that being profitable is one of the things – although not the only thing – that good business is about.

So stakeholding does not suggest corporate executives should attempt to advance the public interest. It simply claims that business has more than one responsibility and more than one measure of success. Now this multiplicity of corporate objectives which this implies causes some people difficulty.

And there is something, although not much, in the point. People often perform most effectively when given crude and clear objectives whose achievement can be easily monitored – "kill the enemy", "sell as much life assurance as you can". But mostly, and fortunately, life is not like that. Being a good journalist, or a good teacher, or a good economist, or a good parent, involves balancing competing interests and conflicting objectives.

We could eliminate this uncertainty by defining simple criteria for judging all these things – journalists should write short sentences, teachers aim for the maximum GCSE passes – but the gains we would make by clarifying the objective would be more than offset by the losses which result because the objective is grossly over-simplified.

Why on earth should anyone have ever thought that business was so much easier, or that the rather well-paid job of corporate executive involved none of the balance of judgment required of a journalist or a teacher?



Robert Maxwell: did not exemplify the stakeholding culture

Germany needs its works councils

The head of Siemens tells **Wolfgang Münchau** why consultation with workers is necessary

German industry is worried on two counts. One is the short-term downturn in the domestic economy, the other is the long-term question of German competitiveness with the rest of the world.

Germany is gripped by a mood of *Industriedämmerung* because of those two problems. Many leading industrialists have called for an overhaul of the welfare state and a new relationship between industry and the trade unions.

But their ranks do not include Heinrich von Pierer, chairman of Siemens, the electronics group. He believes Germany's problems result not so much from a malfunctioning system as from specific errors. Indeed, von Pierer believes that Germany draws strength from a co-operative system of industrial relations. This includes co-determination and collective regional wage bargaining, two main pillars of Germany's industrial relations structure.

Von Pierer says that co-determination at Siemens helped the company achieve fierce restructuring over the past three years. Under the programme, called Top, Siemens achieved a substantial improvement in productivity, brought about largely by cutting 40,000 from the company's German workforce over several years.

To achieve cuts of such scale and without disruption Siemens had to co-operate with its works council. Von Pierer says: "The works council is not a problem because of the way we constructed the programme from the beginning. First, we cut a deal with the works council. And this deal became possible because we convinced them that we were not planning just a simple re-engineering programme."

Cost reduction, although needed, "was just not enough. We told ourselves that we have to combine this with other elements. We recognised that we could only achieve productivity gains through growth, and that we could achieve growth only through new and improved products. Productivity is naturally the most important. But we also need growth and innovation."

Von Pierer believes this multi-faceted strategy was vital for obtaining the support of the Siemens workforce, which is among the best-paid groups of employees in Germany.

"The works council supported us because we put our restructuring plans on three pillars [cost cutting, innovation and growth]. Today the chairman of the works council would tell you that we would no longer exist if it had not been for Top. Just imagine, where else would you hear something like this? The reason is that we work hard to persuade the works council and that we do not work against them."

The general experience in German industry is that co-determination works as long as no one is forced to leave unwillingly. If that happens – as at Daimler-Benz Aerospace recently – works councils become unco-operative and even militant. At Dasa, which has a long record of compulsory redundancies, goodwill between employers and employees has disappeared.

The German system can work for management, as long as change can be implemented gradually

The German system can work for management, as long as change can be implemented gradually. Von Pierer says that co-determination has its advantages: "It means that we create a relationship of trust, that one talks to the people, that one tells the truth, that one builds up a reserve of trust, not only if you are in difficulties, but over a long time".

Von Pierer, however, is critical of a series of developments in the German metal and electrical industries, most notably the generous wage agreement – a complicated formula averaging an increase of between 6 and 7 per cent – negotiated last year by IG Metall, the metalworkers' union, and employers.

Another problem for Siemens is Germany's bureaucratic and inflexible working-time rules, most notably the stipulation that no one work for more than 10 hours at a stretch. Like most other German industrialists, von Pierer is unhappy about the large and growing non-wage element of labour costs, made up of a series of social security charges – Siemens will pay more than DM100m (£45m) this year to cover just the percentage increase in those social security contributions.

But von Pierer is sceptical that the cost of German labour is the prime cause behind the rapid rise of investments overseas by German companies. Siemens is among the companies that invest heavily and increasingly abroad, but as von Pierer points out, cost savings are not the prime cause. "The build-up of engineering capability and production must be done with a view to the markets. I think it is inappropriate in the long run for us to regard south-east Asia as a region which you treat solely as an export destination."

Von Pierer believes that Siemens, like other German companies, has undergone substantial cultural change – towards US corporate culture – but cautions that Germans will never completely emulate the American model.

"We can't deny that we have a different culture, a different history, a very different social environment. We have co-determination and, of course, we have a 'social' market economy.

"As a businessman I also have to pursue aims other than [profit maximisation]. I have to ensure, and this is a must, that shareholders receive the profit they can expect. But consider that we employ 370,000 people. In order to achieve sustainably high profits, we require employees who are content."

COMMERCIAL PROPERTY

ARTS

Torch-bearing art

Peter Aspden visits an exhibition devoted to the Olympic Games

The long-jumper, naked and contemplative, stares ahead and prepares to launch himself forward. He holds two weights in his hands, to give him extra impetus, which he will discard at the end of his fifth and final jump. In the background, a flautist plays. All is harmonious; if the jumper fails to land gracefully, his jump will not even be measured.

It is a long way from this enchanting scene of aesthetic unity to the vibrant, occasionally ugly scenes of the modern Olympic Games. Yet the athletic contests of ancient Greece are the touchstone of all modern sport. The Olympic flame is still lit from Olympia; Greece is still the first nation to hoist its flag in the opening procession of each Games.

What we know of ancient sport comes from two sources: contemporary written accounts and art. The trouble with the poets of the period is that they had little respect for accuracy. They pay tribute, for example, to the dominance of one Phayllos of Kroton, who is supposed to have jumped the equivalent of 17 metres – a physical impossibility.

So most of our knowledge comes from the artistic treasures which depicted every aspect of sporting life: splendid red-figured *amphorae* showing erect boxers bopping each other with bandaged fists; stiff-limbed long distance runners; a goddess shrouding muscular young men with ribbons and wreaths; lyre-players celebrating victory.

Many of the most precious examples of these have now been brought together from museums all over the world to form a semi-permanent exhibition, *Olympism in Antiquity*, at the Olympic Museum in Lausanne, Switzerland. Pieces from the British Museum, the Hermitage in St Petersburg and others have been picked to complement the wealth of material devoted to the modern Games, which celebrate their centenary in Atlanta this year.

Atlanta was controversially chosen to host the Games over Athens, site of the first modern Olympiad in 1896. The cost of that decision can be measured in goodwill as well as dollars: Greek museums have significantly declined to lend any pieces to the exhibition. What there *is* in Lausanne is marvellous: pride of place goes to a stunning small cameo with the head of Zeus, probably engraved in Alexandria under the first Ptolemies, which spent 500 years embedded in a Venetian wall. It is one of the first examples of relief sculpture on precious stone.

A group of giant *amphorae* from the British Museum – prizes from the Panathenaic Games – show wrestlers, charioteers and javelin throwers as they would have appeared in competition. These were far from purely decorative. The winner of certain events would win up to 140 of these vases, full of olive oil. The *amphorae* are a salutary reminder that the ancient Games were not so pure as many romantics would have us believe; material reward was an important motivating force for many athletes.

But it was the ideals of classical Greece and Rome, as interpreted by the philhellenic scholars of 19th-century Europe, which inspired Pierre de Coubertin to found the modern Games. The famous Olympic motto inscribed at the exhibition's opening: "Citius, Altius, Fortius" (Faster, Higher, Stronger) is, despite the Latin, a modern invention.

The entrance to the Olympic Museum, adorned with eight columns of Thasian marble (a gift from the Greek government), echoes the colonnade of the Temple of Zeus in Olympia. The white main building sits high above Lake Léman, before a dramatic amphitheatre of Alps.

But one can only go so far by paying tribute to antiquity: inside the museum, which opened three years ago, is some of the most modern technology to be found in any museum in the world. Banks of inter-active video screens mean that you can call up any piece of action from any Olympic Games which exists on film. Here is sport as social history: you can move from the flickering black-and-white images of Jesse Owens in the "Nazi" Olympics of 1936 to the unforgettable Black Power salutes of 1968.

The museum also doubles up as a major research centre for the history of the Olympic movement with stacks of souvenirs, original photographs and documents and a well-stocked library.

On the top floor comes another reminder of the changing face of sport: a temporary exhibition devoted to the history of Coca-Cola. Other than it quenches thirst, is a major sponsor of the museum, and is based in Atlanta, there is no obvious reason for this collection of ephemera.

Perhaps the most intriguing of all is a collection of the original Olympic torches used to carry the flame from Olympia to the host venue. The practice was first carried out for the Berlin Olympics of 1936; close inspection of the torch reveals the chilling sight of the Nazi eagle clutching the five Olympic rings with its claws.

Twelve years later came the London Games, and a typically English: "With Thanks to the Bearer" inscribed on the torch. Different styles, shapes and symbols follow, with the first, inevitable appearance of a manufacturer's logo on the torch for the Winter Games in Sarajevo in 1984.

One could reflect on the commercialism of it all; but then one returns to *Olympism in Antiquity* and a battered bronze discus from the 6th century B.C., boldly inscribed with the statement: "Simos Made Me". Simos may not be lining up with Adidas, Nike, Reebok *et al* in Atlanta, but his spirit will surely smile upon them.

"Olympism in Antiquity" at the Olympic Museum, Lausanne, until 1998.

Victory pose: an athlete depicted on a 5th century BC Greek pot tries to catch the leaved twigs thrown to him by the public to honour him. In his right hand, he carries his sponge and bag on a stick.

Poetic: Jason Isaacs and Pooky Quesnel in '1953', Craig Raine's updating of 'Andromaque' Alastair Muir

Molière and Racine revisited

Alastair Macaulay reviews 'The Misanthrope' and '1953'

The 17th century A.D. was the greatest century for new drama that the world has known since the 5th century B.C. Sometimes, as in the time of Sophocles and Euripides, all-time masterpieces would burst onto the stage every year. As, for example, when Paris saw, in 1666, the premiere of Molière's *The Misanthrope* and then, in 1667, the premiere of Racine's *Andromaque*. Quite by chance these two plays have turned up again on the London stage this week, updated in modern verse versions: *The Misanthrope* adapted by Martin Crimp at the Young Vic, and *Andromaque* revised as *"1953"* by Craig Raine. The former, unfortunately, is a piffling affair – but the latter is exciting and unusual.

When Molière first presented *The Misanthrope* – his supreme masterpiece, and among the greatest of all plays – in 1666, general opinion went against it. Who could be surprised? It is a comedy riven by a central streak of tragedy so close to our daily lives that no simple reaction is possible. Here, amid a milieu of elegant social hypocrisy, is Alceste, who must always speak his mind sincerely (or be silent) at the cost of social comfort. He is as disturbing a presence in a comedy as Shylock.

Alceste – who is a playwright here – uses the f-word in his second sentence and proceeds in that vein. (Molière's Alceste is not only verbally meticulous but also old-fashioned in his literary tastes.) At the end of Act IV, he polishes off half a bottle of Scotch in one go, and expresses his major outburst of misanthropy in Act V under a crashing hangover. This Alceste has no discrimination: he is merely an angry loudmouth. Though Ken Stott acts him well, Crimp's characterisation (like Lindsay Posner's direction) is so coarse that it removes all the daring and the heartbreak from Molière's play. Everyone speaks their lines like lumpen, rhyming prose.

At *"1953"*, Craig Raine's poetry is the complete heart of the production. Under Patrick Marber's direction, the actors deliver the best verse-speaking London theatre has heard in many months. The rhymes are almost transparent, the iambic metre gives a beautiful rhythmic tension to every line, and the brief silences between sentences are dramatically alive. The characters seem to derive their very stance – elegant, often immobile and in profile – from the poetry. Wonderful, and rare.

C. Raine is, of course, an anagram for "Racine", and *"1953"* is a brilliantly imaginative updating of *Andromaque*. Racine's play occurs some eight years after the fall of Troy; Raine's is set, breathtakingly, eight years after the British *lost* the second world war. We are in fascist Italy; Hitler is still alive; and the young claimant to the English throne, whom Hitler wants killed, is present. This fictional "1953" is alarmingly real. Originally commissioned by the Old Vic in 1988 but rejected, Raine's version was published in 1990; in 1992, I reviewed on this page its staging by the Glasgow Citizens. Raine has made several revisions, but much of the play is the same.

Racine's play is a horrifying tragedy of desire. A loves B, B loves C, C loves D. But B is Hermione (here Princess Ira), who tells A (Orestes; or Klaus Maria von Orestes, Hitler's envoy) that he must kill C (Achilles's son Pyrrhus; or Mussolini's son Vittorio), whom she loves and who has rejected her. When he obeys her, however, she commits suicide. Meanwhile D (Andromaque; or Annette Le-Skye) has married C to save her son's life; but she too is prepared to commit suicide rather than consummate a marriage to the man who is forever linked with her first husband's death and her country's fall.

Raine's version drops the heroic grandiloquence of Racine, and instead employs a heighted naturalism of modern detail. The change of style is radical, and yet both the psychology and (paradoxically) the classicism of Racine's play are vividly present. Raine, like Crimp, uses swear words and foul language; and yet he places them so well that the effect is always dramatic.

The only serious flaw in Marber's staging is that Emma Fielding, though visually impressive, is miscast in the monstrously hard role of the monstrous Ira. She lacks (Racine's word) "violence", and the dynamics of her big speeches are theatrically effective rather than psychologically true. The only problems are tiny matters to do with matters like billiards and épaulettes. Pooky Quesnel is very fine as Annette; Jason Isaacs and Adam Kotz are good as Vittorio and Orestes; and all the supporting roles are superlatively played. I am impatient to see this staging again. Verse drama, that almost extinct volcano, is active again.

The Long Mirror

J.B. Priestley's *The Long Mirror* was written in 1940, and has not been professionally staged in Britain since a Royal Court run in 1952. Well-made plays are no longer fashionable, nor is the acceptance of supernatural phenomena – in this case, astral travelling. But Priestley does not take a straightforward line either of evangelising or debunking. When Branwen Elder begins to recount her intimate knowledge of the life of composer Michael Camber, it is plain that no one is more disquieted than she by the visions over which she has had no control.

Juliet Aubrey ably conveys Branwen's unease at having come to know a man as well as he knows himself, yet without ever meeting him: she is a world away from Madame Arcati. However, it is a gruelling role in which all emotions are secondary to Branwen's peculiar state, and by the final act Aubrey begins to flag. The quality of the writing also diminishes, so she still has a better time of it than Peter Firth's Camber, who subsides into a string of "Yes, you're right, I see now" utterances.

Firth's return to the stage is an accomplished one, marred only when the script lets him down. His Camber is a man who has never known quite what he wants in order to satisfy his artistic and personal needs, given to unleashing "the murderous black dog" of his fearsome temper at the slightest provocation. The composer's mystified journey from disbelieving outrage to wholehearted dependence upon Branwen is laid out skilfully by Firth, who emerges from this third-act quagmire by forging a synthesis of old and new Camber.

Director Marina Caldarone resists the temptation to go for an expressionistic production such as Daldry and MacNeil's *An Inspector Calls*; the drawing room set of a north Welsh private hotel is entirely naturalistic. The Mold audience, too, relishes the play's tongue-in-cheek references to Celtic witchcraft, although it is occasionally a little nonplussed by the main subject matter. That we find the play's altruistic ending rather alien is our fault, not Priestley's. His craft is such that he painstakingly gives every other figure – Rebecca Johnson as Camber's semi-estranged wife, Sheila Reid as the hotel's sole other guest and a scene-stealing David Lloyd Meredith as the general factotum – similar shafts of intuition which echo Branwen and Camber's central experiences.

The Long Mirror is something of an oddity in this day and age, but quite a fascinating one.

Ian Shuttleworth

At Theatr Clwyd, Mold, until March 2 (Tel: 01352-755114)

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT

Concertgebouw
Tel: 31-20-5730573

● Sylvia McNair: accompanied by pianist Roger Vignoles. The soprano performs songs by Haydn, Schubert, Messiaen, Poulenc and Bizet; 8.15pm; Feb 20

■ BERLIN

CONCERT

Philharmonie & Kammermusiksaal
Tel: 49-30-254880

● Sinfonie Orchester Berlin: with conductor Jiri Malat and pianist Mi-Hae Lee, perform Beethoven's Coriolan Overture, Piano Concerto No.5 and Symphony No.6; 8pm; Feb 18

■ BONN

DANCE

Oper der Stadt Bonn
Tel: 49-228-7281

● Ein Sommernachtstraum: a choreography by Yuri Vámos to music by Mendelssohn, performed by the Ballett Bonn; 4pm; Feb 18

■ CAPE TOWN

CONCERT

City Hall Tel: 27-21-4617084

● The Musica Reservata Ensemble: with conductor Jacques de Vos Malan and soprano Marianna Serfontein perform works by Feldman, Cloete and De Vos Malan; 8pm; Feb 17

■ DRESDEN

OPERA

Sächsische Staatsoper Dresden
Tel: 49-351-49110

● Jenufa: by Janácek. Conducted by Wolfgang Rennert and performed by the Sächsische Staatsoper Dresden. Soloists include Anny Schlemm, Roland Wagenführer, Elisabeth Wilke and Matthias Henneberg; 7pm; Feb 18, 21

■ FRANKFURT

CONCERT

Jahrhunderthalle Hoechst
Tel: 49-69-3601240

● Alban Berg Quartet: with pianist Rudolf Buchbinder perform Mozart's String Quartet No.14 in G Major, Berio's Notturno string quartet and R. Schumann's Piano Quintet in E flat major, Op.44; 8pm; Feb 21

■ HAMBURG

CONCERT

Musikhalle Hamburg
Tel: 49-40-346920

● NDR-Sinfonieorchester: with conductor Jiri Belohlavek and viola-player Hirofumi Fukai perform Bartók's Viola Concerto and Mahler's Symphony No.9; 11am; Feb 18, 19 (8pm)

EXHIBITION

Hamburger Kunsthalle
Tel: 49-40-24862612

● Holländische Kirchenbilder: a presentation of seven paintings by 17th-century Dutch painters, including Pieter Saenredam, Gerard Houckgeest and Emanuel de Witte. All these artists specialised in painting church interiors; to Feb 19

■ LISBON

CONCERT

Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131

● Soloists of the Orquestra Gulbenkian: with bassoonist José Coronado and pianist Eric Maison perform works by Fasch, Skalkottas, Hindemith, Dutilleux and Saint-Saëns; 6.30pm; Feb 19

■ LONDON

AUCTION

Christie's Tel: 44-171-8399060

● Important Collectors' Motor Cars: highlights of this sale include a 1952 Frazer Nash le Mans replica. The car has retained the classic British Racing Green paintwork and still has the original green leather interior. Also a 1953 Austin Healey 100/4, a 1935 Aston Martin Ulster and a 1928 Rolls-Royce Phantom I Brewster Newmarket are on sale; 7pm; Feb 19

CONCERT

Barbican Hall Tel: 44-171-6388891

● London Symphony Orchestra: with conductor Colin Davis perform Mozart's Symphony No.39 and Bruckner's Symphony No.5; 7.30pm; Feb 18

Wigmore Hall Tel: 44-171-9352141

● Olaf Bär: accompanied by pianist Helmut Deutsch. The baritone performs songs by Schubert, including "An die Leier", "Sei mir gegrüsst", "Dass sie hier gewesen" and "Lachen und Weinen"; 7.30pm; Feb 21

OPERA

Royal Opera House - Covent Garden Tel: 44-171-2129234

● Semele: by Handel. Conducted by Charles Mackerras and performed by The Royal Opera. Soloists include Ruth Ann Swenson, Judith Howarth, Felicity Palmer and Michael Chance; 7pm; Feb 19

■ LOS ANGELES

EXHIBITION

MOCA at California Plaza
Tel: 1-213-621-2766

● Out of Order: Franklin D. Israel: this exhibition presents an installation by Los Angeles architect Franklin D. Israel, whose designs manifest an innate responsiveness to nature and to the urban context of Los Angeles. The presentation takes the form of a composition of dynamic, angular spaces - walls, ceiling and floor planes, seating areas - within the MOCA gallery which appear to emerge from the existing architecture; from Feb 18 to May 26

■ MADRID

OPERA

Teatro de la Zarzuela
Tel: 34-1-4298225/6

● La Cenerentola: by Rossini. Conducted by Antoni Ros Marba and performed by the Teatro de la Zarzuela. Soloists include Jennifer Larmore, Rockwell Blake and Manuel Lanza; 8pm; Feb 21, 23

■ MILAN

DANCE

Teatro Carcano Tel: 39-2-55181377

● Shapiro & Smith Dance: perform choreographies by Shapiro & Smith. Part of the Milano Festival; 9pm; Feb 20, 21, 22, 23, 24, 25 (3.30pm)

■ MUNICH

OPERA

Nationaltheater
Tel: 49-89-21851920

● Il Barbiere di Siviglia: by Rossini. Conducted by Marco Guidarini and performed by the Bayerische Staatsoper. Soloists include Marita Knobel, Roberto Saccà, Enric Serra and Cecilia Gasdia; 7pm; Feb 17, 19, 23

■ PARIS

CONCERT

Salle Gaveau Tel: 33-1 49 53 05 07

● Philippe Alegre and Ludmila Jankowska: the pianists perform works by J.S. Bach, Mozart and Gershwin; 8.30pm; Feb 19

EXHIBITION

Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17

● Sérinde, terre de Bouddha. Dix siècles d'art sur la Route de la Soie: exhibition devoted to the art produced along the Silk Road in Asia. The display includes paintings on silk, sculptures, manuscripts and icons; to Feb 19

JAZZ & BLUES

Cité de la Musique
Tel: 33-1 44 84 45 00

● London Jazz Composers Orchestra: and the Denis Colin Trio perform jazz music; 8pm; Feb 17

■ SYDNEY

OPERA

Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127

● Fidelio: by Ludwig van Beethoven. Conducted by Richard Hickox and performed by The Australian Opera. Soloists include Wendy Dixon, Kathryn McCusker, Horst Hoffman, Michael Terry and Robert Allman; 7.30pm; Feb 17, 21

■ THE HAGUE

CONCERT

Dr Anton Philipszaal
Tel: 31-70-3607925

● Schoenberg Ensemble: with conductor Oliver Knussen, soprano Lucy Shelton and the New London Chamber Choir, conducted by James Wood, perform works by Crawford Seeger; 8.15pm; Feb 18

■ VIENNA

CONCERT

Musikverein Tel: 43-1-5058681

● András Schiff: the pianist performs works by Bartók and Haydn; 7.30pm; Feb 19

■ WASHINGTON

DANCE

Opera House Tel: 1-202-416-4600

● Alvin Ailey American Dance Theater: perform Ailey's choreographies The River and Revelations, and Zollar's Shelter; 2pm; Feb 18

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Financial Times Business Tonight

Philip Stephens

An obsession with secrecy

It took only a few minutes for the attempts by past and present ministers to defuse the Scott report to come to nothing in the face of its damning truths

The Scott inquiry into the sale of arms to Iraq was conceived in a spirit of half-honest inquiry. Its report has been made public by John Major's government in an atmosphere of rancid self-justification.

I use such emotive adjectives advisedly. Before publication, ministers spent eight furtive days building a wall of rebuttals. Sir Robin Butler, the cabinet secretary, and a team of Whitehall's finest were deployed in the same tawdry cause. It survived no more than a few minutes against the damning truths of Sir Richard Scott's text. The government made it impossible for others to study in detail the 1,800-word report. It could not suppress its essential gist.

The 61-year-old appeal court judge has provided us with a masterly illumination of the dark recesses of power. Among its 1,800 pages there are certainly flaws, probably mistakes, no doubt occasional errors of judgment. But there is no contest between Sir Richard's erudite analysis and the pleading of those he so discomforts.

Sample the contrast between the official gloss and the actual report. The first of the hefty batch of self-serving Whitehall press releases to land on my desk before the report itself came from the Cabinet Office.

Drafted no doubt by a minion of the aforementioned Sir Robin, it stated with a confidence borne of contempt that: "Sir Richard Scott's report completely exonerates all ministers and civil servants from any sort of conspiracy or cover-up in relation to the sale of arms to Iraq."

In fact the statement is technically true. Sir Richard endorsed it as such. But it is as deliberately, and grossly, misleading as the many public statements on arms sales to Iraq which formed the basis of the inquiry. Compare it with Sir Richard's central conclusion on whether ministers misled parliament about the export of lethal equipment to Saddam: "The government statements made in 1989 and 1990 about policy on defence exports to Iraq . . . failed to discharge the obligations imposed by the constitutional principle of ministerial accountability". There you have it.

The half-truths ran through every sentence of Ian Lang's statement to the House of Commons. I have much time for the president of the board of trade. He is as decent a politician as we expect to find at Westminster these days. But what cynical sophistry infused his version of the report.

We were told by Mr Lang that William Waldegrave, the former Foreign Office minister, had been cleared of the charge that he had misled parliament when constraints on deals with Iraq were relaxed. But listen again to the objective evaluation of the learned judge appointed by Mr Major to discern the truth: "The answers . . . failed to inform parliament of the current state of government policy on non-lethal arms sales to Iraq. The failure was deliberate."

And the reason for these untrue statements. National security? Sensitive foreign policy considerations? Intelligence-gathering? Not a bit of it, says Sir Richard: "I have come to the conclusion that the overriding and determinative reason was a fear of strong public opposition."

We could continue with this game for many hours. Sir Nicholas Lyell, the attorney-general, comes in for similar criticism for his role in the prosecution of three directors of Matrix Churchill. This was the company which collaborated with intelligence agents while selling Saddam Hussein sophisticated shell and missile-making equipment.

Sir Richard finds, as expected, that there was no conspiracy among senior ministers to send the company's directors to prison by withholding sensitive documents from the court. The so-called Public Interest Immunity Certificates were signed by the likes of Kenneth Clarke and Michael Heseltine in good faith.

But as to the attorney-general's role, he showed "a serious misunderstanding of the role and duty of a minister asserting a PII claim". And again: "I [Scott] question the propriety of instructing counsel to seek to avoid the disclosure of documents".

Neither Mr Waldegrave nor Sir Nicholas, of course, plan to resign. Sir Richard is generous in his assessment that while the two ministers were culpable, they did not appear wicked. Mr Waldegrave had shown no "duplicitous" intentions. Sir Nicholas emerges as dangerously incompetent.

More importantly, the perverse logic of contemporary politics tells Mr Major that to allow any ministers, tarnished or otherwise, to depart would be admit Tony Blair's charge that he "buckles" under pressure. The Tory right on the backbenches at Westminster, still seething over the outcome of the Nolan committee on standards in public life, is not in the mood to allow another member of the judiciary to meddle in politics.

We will see soon enough whether that position can be sustained against Sir Richard's erudite indictments. The government's luck has changed in recent weeks. The economic outlook seems at last to promise a return of the feelgood factor. Mr Clarke is poised to cut interest rates.

Robin Cook, the shadow foreign secretary, will do his forensic best to break the prime minister's resolve. But success or otherwise will hinge on whether the arms-to-Iraq saga remains an issue for the metropolitan political classes or whether it begins to play also in Portsmouth and Preston.

But return to the real significance of Sir Richard's inquiry. I confess that in the few hours allotted, I have not even skimmed every page, let alone every word of his prose. There will be much to come back to, particularly with regard to the role of officials and the intelligence services. The central drift is clear enough.

Here on graphic display is a culture of government which demonstrates a withering contempt for parliament. It a culture corrupted by the absence of checks and balances against the power of the executive and by an obsession with secrecy. Here deceptions and half-truths hide behind the shield of something held grotesquely to be the "public interest".

You do not have to subscribe to the view that most of the players are corrupt or amoral to see how such an atmosphere corrodes the integrity and honesty of government. Officials persuade themselves that their duty is a narrow one to the political masters of the day. Ministers see parliament as an obstacle to efficient administration, an enemy rather than an ally in the cause of good government.

The truth of course is the reverse. Consumers are protected by anti-competition laws from the corrupt behaviour of monopolistic commercial enterprises. Such laws make for more efficient markets. But there is no such defence for mere citizens from the concentration of unaccountable power in Whitehall.

Much will be said about how naive the bicycle-riding Sir Richard has been about the conduct of government. To his eternal discredit, Douglas Hurd, the former foreign secretary, has laid the groundwork. Trade relationships must be weighed against foreign policy goals, he says. National security and sensitive foreign relationships demand secrecy. A High Court judge, and a liberal at that, could not possibly appreciate the harsh realities of power. But to those outside the magic circle such protestations do no more than amplify the wrongdoings. Bad enough to scorn parliament, the voters and the truth. Worse to insist that there was nothing wrong in so doing.

It is impossible at this point to assess with accuracy how much political damage Sir Richard's conclusions will inflict on an enfeebled administration. Not too much, I suspect. The prime minister himself has been exonerated, a fact that makes it all the more extraordinary that he has been so willing to distort the findings of his own inquiry. Mr Major could have accepted the central thrust of the report, blamed the misdemeanours on the ancien regime, and emerged with some dignity. But that is not the state of British politics.

Arms and the inquiry leaders: (from left) Sir Richard Scott, Miss Presley Baxendale and Christopher Muttukumaru

Europa • Stuart Eizenstat

Why Europe must forge stronger security links

The European Union and Nato must not act as if they were on different planets

I came to my post in 1993 as an enthusiastic supporter of the European Community and I leave an even more enthusiastic supporter of the European Union. But there are difficult economic and political tasks ahead for the EU.

The need for job creation and economic growth is central to virtually everything the EU wishes to accomplish. There are no mysteries to what must be done. Non-wage labour costs must be reduced; labour markets must become more flexible: investments in training and education must be made; and public deficits must be gradually but inexorably decreased.

Enlargement of the EU to central Europe and the Baltic states, along with Cyprus and Malta, also presents a profound challenge. Few things are more important to bringing lasting peace and stability to the European continent than to heal the divisions of the cold war once and for all.

At present, only some central European industries are ready to compete in the EU's single market. Others are not; and if they did so tomorrow, significant unemployment might result, with waves of workers seeking jobs in the west. Additional economic reforms remain essential if enlarging the EU is to help the applicant nations and strengthen the union. But I leave impressed with the determination of central European states to take the difficult steps necessary for membership and of the EU to make the adjustments necessary to accept them as members.

Another big challenge is to implement the commitments in the Maastricht treaty. The EU is paying a stiff price for the inability to fulfil immediately the high expectations aroused in two areas: a common currency and a common foreign and security policy.

I am impressed with member states' political commitment to economic and monetary union, in spite of the fiscal pain involved, and I leave convinced there will be a common currency for a key group of member states. If successful, the single currency would reduce economic uncertainty in Europe and cement the benefits of the single market. The US should pay attention to this great political and economic experiment.

The common foreign and security policy is equally difficult. The US supports such a policy, and believes its evolution would make the EU a more effective partner. Europeans agree there are two essential problems with it: inadequate structures to implement effectively a common policy; and the absence of a common spokesperson, such as Nato's secretary-general, to coordinate and articulate it.

This reflects a broader problem: key member states do not yet wish to relinquish their foreign policy prerogatives in favour of a common approach. I believe that until this change has occurred, the common policy will always be less than the Maastricht treaty promised.

Bosnia has been an unfortunate baptism of fire for the common security and foreign policy. An effective foreign policy, even in the post-cold war era, still requires the ability to project a credible threat of military power. Many EU countries showed great courage in sending peacekeeping troops to Bosnia. But peacekeepers cannot be effective when there is no peace, and peace would not come until Nato projected its military power in a convincing and sustainable way. Bosnia thus demonstrated the need for US and Nato involvement in maintaining European peace.

With US leadership, Nato will remain the principal European security organisation. But the relationship between the EU and the Western European Union is unclear. France's re-engagement with Nato's defence forums and its interest in developing the European pillar of Nato raises further issues. All this requires a careful effort to ensure that the roughly parallel enlargements of Nato and the EU keep pace. Both have almost identical lists of central European and Baltic countries interested in future membership at the earliest possible date. To discuss this issue, a dialogue is now barely beginning between the EU and Nato and should be strengthened. Nato and the EU are both in Brussels, and we need to ensure that they do not act as if they were on different planets.

The EU will not develop the political and diplomatic muscle compatible with its economic and trade clout until the key member states desire it, which at this point they do not.

During my tenure, the EU and the US have demonstrated a capacity to resolve some of our most difficult trade issues. The "New Transatlantic Agenda" provides a means to develop a stronger, global US-EU partnership, but it does not guarantee the EU that role. The EU will earn its role by being able to act effectively and quickly as a partner to the US in the rest of Europe and globally.

Few nations or organisations in the world face more daunting challenges than the EU and its 15 member states. Nevertheless, there is too much Euro-pessimism around, including in the press. Every major issue is treated like a life-or-death matter. This is nonsense. I am optimistic that the EU's challenges will be successfully met, as have those in the past. If the EU did not exist, its member states would have to create it because it so clearly serves their most profound security and economic interests and those of their citizens.

The author is retiring as US ambassador to the EU

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Impressive relationships for UK banks in US

From Mr Derek O. Sword.

Sir, I was intrigued to read Mr Paul Bedford's letter (February 14). As a US bank stock analyst who has researched European banks, I must take issue with his comments about "UK banks failing to make it in the US".

A prime example of an impressive relationship between banks on both sides of the Atlantic is that of Citizens Financial Group, a subsidiary of Royal Bank of Scotland. In December 1995, Citizens announced an agreement to acquire Bank of Ireland's US subsidiary and, indeed, New Hampshire's largest bank, First NH Bank. This transaction will transform Citizens into a $14bn institution with an enviable franchise in Rhode Island, Connecticut, Massachusetts and New Hampshire.

Furthermore, Allied Irish Banks owns the $9bn, privately held First Maryland Bancorp, which has been a very profitable investment for Allied, and may be eventually spun off from its parent.

Also, Sir Bruce Pattullo, governor of the Bank of Scotland, was quoted in your newspaper (People, September 25, 1995) as saying that he "regrets that the Bank of Scotland did not buy two US banks which became available in the late 1980s".

Finally, if the largest bank in the US at present, Citicorp, can have an Englishman, Mr Thomas Jones, as its principal financial officer, perhaps a full understanding of the American work ethic is necessary before one can succeed in the ever-changing world of US banking!

Derek O Sword,
Keefe, Bruyette & Woods,
The World Trade Center,
85th floor,
New York, NY 10048, US

Really so bad?

From Mr James M. Wilson.

Sir, I enjoy your arts columns and admire William Packer's and Clement Crisp's elegant writing. Is it just my impression, though, or are they relentlessly negative? I am struck particularly by William Packer's pieces on modern art. If he is right in finding so much of it so bad, then why do you and he devote so much time and space to it?

James M. Wilson,
Boston Ventures Management,
21 Custom House Street,
Boston, Mass 02110, US

'Globalisation' a likely sign of decay

From Mr Phil Mullan.

Sir, Martin Wolf's review of globalisation ("The global economy myth", February 13) was a refreshing riposte to some of the more outlandish claims made about international economic developments today.

Against those who claim "globalisation" as the "chariot of progress" it is possible to add that the most significant international players are the leading industrialised nations whose economies are in most difficulty these days. They remain responsible for the lion's share of international trade, financial flows and foreign direct investment.

The general trend here is that the more sluggish and recession-prone is the domestic economy, the greater the resort to international operations. Hence we see the big rise in US exports over the past 10 years and the rapid turn to overseas production by Germany and Japan over the periods of their protracted recessions. Also it explains the irony that the UK, which is well past its economic prime, is, relative to its size, leading the world in many areas of internationalisation: ownership of foreign assets, location for others' foreign direct investment, export dependence.

Internationalisation, or "globalisation", seems to be more a sign of economic decay than progress.

Phil Mullan,
1 Wellington Mansions,
Shacklewell Road,
London N16 7TP,
UK

Price of MS drug reflects benefits and costs of development

From Mr M.E. Wallace.

Sir, I must protest most strongly at the article "Doubts cast on costly MS drug" (February 15) regarding the *Drug and Therapeutics Bulletin* review of our new treatment for multiple sclerosis, Betaferon (interferon beta-1 b). The bulletin itself contained some serious factual errors.

The article in the bulletin asserts that the drug is expensive and may not even work. That is patently not the case. While it is not a cure for MS, there is strong evidence for an important effect in a certain proportion of patients with the relapsing-remitting form of the disease. Indeed, a recent article in the specialist peer-review journal *Neurology*, written by senior neurologists from North America, concludes: "As the first approved, effective treatment for relapsing-remitting MS, Interferon beta-1b signals a new era in the management of MS." Can these neurologists, who were all involved in the pivotal trials of the product, and the rigorous licensing authorities in both the US and Europe, which granted marketing authorisation on the basis of the evidence from these trials, all be wrong? To quote the European Commission's European Public Assessment Reports on Betaferon, "the application contains adequate clinical data to support clinical safety and efficacy, allowing a positive recommendation for marketing approval".

You also report that the bulletin states that the product should only be used under trial conditions. I must point out that Betaferon has been granted a marketing licence for a specific indication; where this indication exists it would be unethical to limit usage solely to clinical trials. Indeed, this would be contrary to recently stated government policy on its provision. In November, prior to the launch of the product, the NHS Executive sent out an executive letter giving recommendations on how Betaferon should be prescribed on the NHS, most notably that it should be under the supervision of a hospital neurologist.

These guidelines were simply arrived at, following extensive discussion between the company and the various parties concerned, as being the most responsible and practical arrangement given the nature of the disease, multiple sclerosis.

We believe that the price reflects the benefits to be obtained. It also reflects the very high development and production costs involved in such a biotechnology product. The total (global) development cost for any pharmaceutical products is in the order of £200m. This increases still further for products produced via biotechnological methods which have far more complex manufacturing requirements.

It is also important to note that Betaferon represents a new therapeutic concept; innovative therapies are inevitably costly to develop and Betaferon is no more expensive than many other drugs, including other interferon with similar novel status.

Schering regrets the confusion caused by the misinterpretation of published and peer-reviewed results by the Drug and Therapeutics Bulletin.

The experience of more than 40,000 patients and their prescribers in the US and Europe re-confirms the value of Betaferon treatment for relapsing-remitting MS.

M.E. Wallace,
managing director,
Schering Health Care,
The Brow,
Burgess Hill,
West Sussex RH15 9NE,
UK

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Friday February 16 1996

A mature democracy

The central issue raised by the Scott report is the maturity of Britain's democracy. Is Britain a society able to debate openly the conflicting interests involved in selling arms to brutal dictatorships? Do its ministers recognise a continuous duty to secure public trust for their policies? Or are the public and parliament too immature to be trusted, justifying governments in disguising policy or even blatantly lying about it?

Far from evading such questions, Sir Richard Scott places them at the forefront of his report. He asserts bluntly that successive ministerial statements in 1989 and 1990 about policy on defence exports to Iraq "failed to discharge the obligations imposed by the constitutional principle of ministerial accountability".

From this failure flowed, *inter alia*, the prosecution of Matrix Churchill executives for exporting military equipment to Iraq. The government's relaxation of policy on such arms sales, and the involvement of the security services with Matrix Churchill, became known only once the trial of three executives had started; and only then after the release by the trial judge of documents which had been kept confidential by the use of Public Interest Immunity Certificates. The handling of these certificates is strongly criticised by Sir Richard.

A report extending to five volumes and 1,806 pages, dealing with highly complex matters, cannot be fully digested in a few hours. Many of the recommendations relate to the security services and the detail of export control procedures. Their implications are not immediately apparent, but are likely to prove significant.

Arms exports

Yet three things are clear from an initial reading. First, there was no government conspiracy to pervert the course of justice in the Matrix Churchill case. Second, very serious errors of judgment were made by two named ministers – Sir Nicholas Lyell and Mr William Waldegrave. And third, the affair raises wider public policy issues about the control of arms exports and the accountability of ministers to parliament.

The criticism of the two ministers is devastating. Mr Waldegrave signed dozens of letters to MPs about policy on arms sales to Iraq which, Sir Richard has concluded, he knew to be untrue. The judge's comments about Mr Waldegrave's apparent sincerity in denying such knowledge do not qualify his judgment. Sir Nicholas is censured for his failure to recognise the "important constitutional and legal issues involved" in Mr Michael Heseltine's strongly-voiced concern about the Public Interest Immunity Certificates he was asked to sign in the criminal prosecution of Matrix Churchill executives.

Personal error

The position of the two named ministers will dominate the politics of the coming days. It may be futile to call for their dismissal now that the prime minister has thrown his weight behind them. But Sir Nicholas and Mr Waldegrave must consider the damage they will do to standards in public life if they decide to stay. Should they remain, the question will fairly be asked whether there are circumstances in which a minister will ever take responsibility for a serious personal error.

As to the wider issues, there are obviously acute difficulties in developing an ethically defensible policy on the selling of arms to warlike regimes. The British government's restrictions on arms sales to Iran and Iraq in the 1980s were an honest attempt to form such a policy. Governments need also to form realistic assessments of their capacity to control exports in any event, and Sir Richard is right to recommend a comprehensive review of export control regulations and procedures.

Yet he is also right to focus attention on the need for public accountability. Clearly national security must be paramount. But, as Sir Richard asks, "is it any longer satisfactory that Parliament and the British public are not entitled to be told to which countries and in what quantities goods such as artillery shells, land mines and cluster bombs have been licensed for export?" He "respectfully suggests" that the obligations of ministerial accountability should be "urgently rethought". The sooner the better.

Strains in the global village

More than 30 years ago, Marshall McLuhan coined the term "global village" to describe a future world girdled by mass communications networks. Today, technology is turning that vision into a universal reality. However, many global villagers – or at least their representatives – seem uncomfortable about the results. In a growing number of countries, borderless information and entertainment media are viewed, not as a positive force for integration, but as a divisive threat to national integrity and cultural values.

The latest instance is the European Parliament's revival this week of proposals for tighter curbs on broadcasting of foreign television programmes. In the words of Ms Luciana Castellina, chairman of the parliament's culture committee: "What is at stake is the survival of the cultural identity of Europe." In similar vein, France – which already applies strict local content quotas to television broadcasting – imposed a requirement last month that 40 per cent of songs played by radio stations must be in French.

Ireland recently passed a law calling for a third of radio material to be originated locally, while Portugal and Belgium may follow suit. Meanwhile, Ottawa and Washington are in dispute about Canada's use of cultural protection laws to restrict access to its market by US-based companies in businesses including cable television and publishing.

Growing anxiety

These cultural defences are symptoms of deeper insecurities. In Canada and Belgium, they reflect a shaky sense of nationhood, and in France an increasingly anguished effort to reverse a steady loss of linguistic hegemony. Ireland's and Portugal's concerns are at least partly related to their status as small countries located at the fringes of Europe and traditionally overshadowed by more powerful neighbours. But while all share a particular sense of vulnerability, their concerns are not unique.

In many other countries, there is growing anxiety that the combination of technology and the lowering of frontiers has unleashed forces beyond the ability of governments and nations to control. Some observers, indeed, argue that the onrush of globalisation calls into question the future of the nation state as a meaningful political and economic unit. Such uncertainties inevitably prompt pressures to define more clearly distinctive common values which differentiate nations and communities from the rest of the world.

Blanket curbs

However, erecting cultural barriers is not a solution. Crude measures such as audio-visual quotas are almost certainly unworkable. It is near-impossible to define local content levels for films and television programmes, which increasingly rely on inputs of material, skills and capital from a wide variety of international sources. Such restrictions risk becoming protectionist ramps for uncompetitive local producers.

Enforcement of blanket curbs such as the European Parliament favours would also involve an objectionable degree of official intervention. The line between quotas and censorship is dangerously fuzzy, and open to political abuse. How could a European Union which blessed such an abridgement of free information flows presume to lecture China for clamping down on the Internet and the supply of electronic business data services from abroad?

Nor is there any reason to suppose that curbing foreign audio-visual services, even if it were practicable, would enhance the quality, variety or cultural value of local programmes. Indeed, the evidence from France suggests the contrary: the main result of banning Hollywood gameshows and soap operas from television screens there has been a crop of uninspiring French look-alikes.

Such examples suggest that those who warn against the dangers of falling prey to foreign cultural imperialism may not be entirely wrong. But the threat is largely manufactured at home, and has much to do with deficient creativity and weak entrepreneurial drive. In such cases, restoring cultural dynamism is no simple task. But blaming foreigners for the problem is not the answer.

Prised out of its Shell

The oil giant's shake-up has produced cost savings and boosted profits, say **David Lascelles** and **Robert Corzine**

The grey slab of Shell Centre on London's South Bank looked grey and slablike as ever yesterday. But inside, Mr John Jennings, chairman of Shell Transport and Trading, the UK half of the Anglo-Dutch oil giant, was proclaiming that everything had changed.

After nearly two years of planning and implementation, Europe's largest company has completed its biggest restructuring in 30 years from which it hopes to emerge a more formidable competitor. "I am extremely optimistic about the prospects the restructuring will bring to our business," he said.

The changes directly affect only the "corporate centre", the key operations in London and The Hague which control the multinational's worldwide operations. But the intention is that the revved-up core of the group should then drive similar changes through in the hundreds of operating companies that make up the Shell empire, and deliver profit improvements of as much as 50 per cent.

The restructuring was officially launched last spring when Mr Cor Herkströter, president, called for a 30 per cent cut in costs. On the face of it, the call seemed unnecessary since Shell had just announced record earnings of more than £4bn; its return on capital was 10 per cent, in line with the industry average. However, Mr Herkströter said this was not enough to sustain the company in the long run and set a target of 12 per cent.

Shell had an extra problem: its famed internal organisation marked by a strong emphasis on consensus and a proliferation of regional baronies. This encouraged too many committees and turf battles, and left Shell insensitive to its markets and customers. The complexity of lines of command also made it difficult to pin responsibility on individuals: when things went wrong, it was usually someone else's fault.

Shell was a laggard in the move to reform. Most of its major competitors – Exxon, Mobil, Amoco and British Petroleum – had gone through painful restructuring since 1990, impelled by weak oil prices and cut-throat competition. The latter was particularly acute in refining and petrochemicals, but Shell's huge positive cash flow shielded the company from the pain.

The outline for the changes had been in preparation a year before the Herkströter pronouncement, with the help of McKinsey, the consultants. The aim was to strip out the old regional lines of command and replace them with structures based on lines of business: exploration and production, oil products (refining and marketing), chemicals, gas and coal. Each of these is now headed by a tight-knit "business committee" of senior directors from the key operating companies which will keep the division focused on its business objectives. The new buzzwords are "performance", "behaviour" and "results"; staff are encouraged to see themselves in a business rather than a department or region. Share option schemes have been extended to more managers to increase incentives.

Detailed implementation of the master plan was left to the individual divisions, with some facing a bigger task than others: refining had recently had a radical shakeout with the loss of thousands of jobs, but exploration and production had not changed for quarter of a century.

The exercise proved more difficult to carry through and "sell" internally than management expected. The original completion deadline of October 31 had to be extended twice, first to January 1 and then to February 1. Even now, the exercise is not fully complete.

Shell executives are coy about the reasons for the delays. But staff resistance was strong. The planning was secretive, which created a distinction between insiders and outsiders, and bred resentment.

Jobs were at stake, which sparked anger, particularly when UK employees discovered they were being offered less attractive severance terms than their Dutch colleagues. And many people had to be persuaded that change was necessary, given Shell's record earnings and £7bn cash mountain. The large dividend increase announced yesterday was intended to drive home to staff that tough financial targets will be set.

The abolition of the baronies, the most political step in the process because it would challenge powerful fiefdoms, created fewer visible ripples. They were gone by last September when the members of the new business committees were selected by the committee of managing directors, the four-man inner cabinet. However these appointments included most of the former barons, meaning that the top management line-up hardly changed at all. This produced accusations that the change was less radical than was being claimed. But Mr Peter Hadfield, the director of human resources who oversaw the exercise, stresses that it brought on a new generation of middle management.

The "new" Shell, as it now calls itself, may not look dramatically different. But executives say it could produce some surprises. For example, Shell has traditionally seen itself as a leading developer of new oilfields, even though these are financially less attractive than participating in existing "brownfield" projects. In future, the profit consideration rather than the self-image could lead to a shift of emphasis in Shell's exploration and production activity towards the latter.

The restructuring has been greeted with a mixture of apprehension among Shell's competitors, and enthusiasm by its shareholders. "They are doing the right things," says Mr Fergus MacLeod, the oil analyst at NatWest Markets. "They need to become more centralised, and technology makes it easier to go that way. Their competitors such as Exxon and BP had adopted command and control systems which have made them more efficient."

The results of the shake-up are likely to be judged less in terms of costs saved through job losses – which at 1,100 are relatively small for a company Shell's size – than in terms of improved profitability. "The main objective is not reducing people," says Mr Hadfield, "because that's not where the big pay-out is going to come. That will come when we raise the business performance of the company."

The pearl within

Some of the most striking changes in Shell's restructuring have been made to its exploration and production division where there had been no shake-up for 25 years.

Although it employed only 1,500 people at the centre, the division planned the work of 5,000 people out in the field. It also controlled a central part of Shell's business: finding oil and gas, and getting it out of the ground.

Mr Mark Moody-Stuart, the managing director who oversees the sector, called for a "radical" redesign. He entrusted the task to two middle managers in their 30s: Mr Alex Kulpecz and Mr Chris Finlayson. Mr Kulpecz, an American, reckons he was selected "because I'm an outsider with the reputation of a maverick".

Over three months last summer Mr Kulpecz and Mr Finlayson worked with Booz Allen & Hamilton, the management consultants, on a blueprint. To stimulate ideas, they visited companies such as General Electric of the US, ABB, Merck and even rival oil companies such as Mobil. They also surveyed outsiders' perceptions of Shell and learnt that people found it difficult to work with, slow-moving, arrogant and high-cost. They found that its reputation was slipping in key areas: even though Shell saw itself as a leader in deep-sea drilling technology, its closest competitor, BP, was winning all the credit.

Mr Kulpecz's teams also considered how Shell's world might look 20 years from now: its markets and its relationships with oil producers. And they looked at how Shell could work more closely with smaller, entrepreneurial oil companies with very different cultures.

The plan has two essential aspects. First, it creates a simplified management structure under a new business committee. Seven or eight layers of management have been reduced to three, and geographical reporting lines have been eliminated. According to Mr Kulpecz, this means a decision that used to take a month may now be taken in a day. "We're now saying this man makes the decision, not a committee of 20 people," he says.

Second, all units are now measured by their business results. Much the most important part of the division was the technical side which employed nearly 1,000 scientists and experts in petroleum exploration. But many were working on little-used technology, and the management had no incentive to redeploy them. Under the new scheme, work will be dictated by the demands of customers such as other Shell companies. It will thus be organised around processes, such as drilling, rather than disciplines, such as geology.

"The organisation will be based on the processes required to make the business run, not on militaristic lines," says Mr Philip Ellis, one of the Booz Allen consultants. "People must be sought after for their ability to add value to a decision, not for their position or title."

The changes encountered hostility from staff who felt they had been excluded from the planning process. "There was a lot of pent-up anger," says Mr Finlayson. A series of workshops helped reduce resistance.

The new scheme strips out 300 jobs and should produce a saving of about 30 per cent on the sector's Fl 800m (£316.2m) of annual costs. So Mr Kulpecz and his colleagues met the Herkströter target, although it will be some time before this is confirmed in the financial results.

· OBSERVER ·

Tie me up tie me down

■ *Most days of the year, an old school tie doesn't get you very far in northern Germany. But donning a threadbare, none too precious piece of neckware was a very smart move yesterday, on Altweiberfastnacht.*

The so-called old women's carnival, a particularly Rhineland tradition that kicks off the revelry leading up to Ash Wednesday, is something of an ordeal for the male of the species.

His office turns into a playground for his strangely attired female colleagues, who have *carte blanche* for the day to snip off ties, shoe laces, and – well, it depends how daring they are feeling.

The tradition, it is claimed, dates back to 1824 and the formation by a bunch of washerwomen of the first "ladies committee" in Bonn, entirely devoted to celebrating a day free of men.

Just to leaven the misandry, the ladies can these days normally be persuaded to comfort their victims with a kiss.

Boy's own stuff

■ Spanish football can now return to normal. Barcelona, the Spanish champions, have knocked Numancia, the team which nobody had ever heard of, out of the cup. Numancia, from the central mountain town of Soria, had already beaten first division teams Real Sociedad, Sporting de Gijón and Racing de Santander, and drawn the first leg with Barcelona. But they lost 3-1 to Barcelona on Wednesday night.

When 10,000 Numancia's supporters, about a third of the local population, turned out to support their team in Barcelona's Camp Nou stadium, Barcelona responded by unfurling a banner "Surrender, you're surrounded." However, there is some consolation for Numancia's part-time players. The club has been approached with a deal to carry advertising on its shirts for Tauritón, a product for enhancing male potency.

Wheels within

■ Urban myth in South Africa has for some while singled out the BMW driver as a favourite target of the armed carjacker. So BMW decided to take action, and automatically included insurance in the price of new vehicles.

The German manufacturer has been complaining loudly about insurance companies' fat annual premiums – up to 20 per cent of a new car's value. It has also used leaked police figures showing that car hijackings in South Africa broadly reflected a manufacturer's market share.

But it pays to look at the fine print of BMW's offer. Anyone reporting their vehicle stolen or hijacked will be subjected to a lie-detector test to support the claim.

The company acknowledges that this might be a "first" in car insurance policies, but argues that fraudulent insurance claims in South Africa could well become yet more prevalent than hijacking.

So much for that business about the customer always being right.

All at sea

■ A HK$4.2m ($543,300) study has been ordered into who is making waves in Hong Kong. A lot of money to spend when the answer seems so obviously a large country beginning with C.

But no, the object of study is the "confused sea state" in Hong Kong harbour, which is making life difficult for big boats when docking, and for small boats trying to do most anything. So the government has announced that Hong Kong University will spend 12 months evaluating waves in Victoria Harbour.

Well, there are some things for which even China cannot be blamed.

On a roll

■ Vietnam may still be classified as a developing country, but nine years of economic reforms seems to be pushing it up the Rolls-Royce index.

The free-wheeling southern city of Ho Chi Minh City is reckoned to boast 200 or so millionaires who have thrived in the communist country's perestroika, and it would seem some of them are beginning to flash their money around.

In recent months, Rolls-Royce has managed its first sales – to two buyers who were local Vietnamese businessmen in joint ventures with foreign investors.

One of them snapped up a "touring limousine", a 20-foot stretched model complete with television set and walnut-fronted cocktail cabinet which usually sells for $400,000. The other bought a Silver Spur, a snip at $210,000, but still a tidy amount of cash when the average monthly per capita income in the former Saigon is just $810.

Blindman's buff

■ Is the German government recruiting someone to sell the idea of the single currency to a sceptical public?

An advertisement appeared recently in the Frankfurter Allgemeine newspaper. "Wanted: Salesman able to sell picture to blind man, for one-off genuine business deal".

Then again, maybe not. It's a rather tall order, bearing in mind they are only proposing to pay DM50,000 ($34,000).

Financial Times

50 years ago

Threat of strike in Mexico
Almost simultaneously with official cabled advice from Mexico City that the strike at the Fresnillo mines had been settled, a Reuter message from Mexico City reported that the strike in the silver mines may be backed by a general strike in June if miners' demands are not met before that date. The general strike warning, says Reuter, comes from the railway, oil, electricians' and printers' unions, some of the strongest in Mexico. The miners are demanding a 40 per cent increase in salary based on the fact that the cost of living went up during the war to 200 and 300 per cent above pre-war prices.

U.S. effort to beat inflation
President Truman announced in a White House statement big changes in the economic administration of the country and a new stabilisation policy. It is an all-out bid to end the growing political crisis, and to end the nation-wide strikes and the fear of inflation. The revised stabilisation policy will mean a general rise in wages and prices in the months to come.

Smaller cotton crop
World cotton production for 1945-46 is estimated by the U.S. Department of Agriculture at 22,650,000 bales or 7.4 per cent lower than 1944-45 and 27 per cent below the 1935-39 average.

FINANCIAL TIMES
Friday February 16 1996

Bundesbank takes tough line on financial policy

By Peter Norman in Bonn

Germany must make greater efforts to cut its public sector deficit to meet the Maastricht treaty criteria by 1997, the Bundesbank warns today.

In its latest monthly report, the central bank says German financial policy faces "great challenges" if the deficit is to be brought below the Maastricht limit of 3 per cent of gross domestic product. It was 3.6 per cent last year.

The Bundesbank says: "In view of recent developments, the necessary medium-term (budgetary) consolidation requires still greater efforts than previously assumed."

It calls for a "double strategy" of cutting the deficit while reducing the burden of taxes and social security levies. It warns that "the already heavy pressure to reduce public spending will increase" if these goals are to be achieved.

The combined deficit of Germany's federal, state and local authorities was worse than expected, last year, the report adds. Nor there was any discernible improvement in the finances of Germany's pension, unemployment and health insurance funds despite a big rise in contribution rates.

Instead of undercutting the 1994 level of DM106bn ($72bn) as planned, the total deficit of Germany's regional authorities increased by between DM5bn and DM10bn last year. The social insurance funds had a 1995 deficit of nearly DM15bn after roughly breaking even in 1994.

The Bundesbank blames unexpectedly high revenue shortfalls of about DM35bn last year for Germany's lurch into the red. Only a quarter of the shortfall reflected the economic slowdown. Revenues were also depressed by tax breaks for investments in eastern Germany.

The report says the federal government has coped far better with the 1995 tax shortfalls than the states or local authorities. But there was no sign that the combined federal, state and municipal deficits would improve this year. Indeed, it warns that current plans are based on assumptions that appear too optimistic.

The forecast reduction in the federal labour office deficit to DM4.5bn this year from DM7bn in 1995 assumed roughly unchanged employment conditions. However, unemployment rose to a record 4.16m in January and the government now expected that on average there would be 290,000 more jobless this year than in 1995.

The Federal Statistics Office yesterday reported a 2 per cent real drop in retail turnover in 1995 compared with 1994. Mr Martin Hüfner, chief economist of Bayerische Vereinsbank, predicted that Germany would be the slowest growing of the big industrial nations this year.

Wolfgang Münchau adds from Frankfurt: German engineering metal industry employers and the IG Metall trade union yesterday failed to agree an ambitious scheme for new jobs in exchange for pay restraint after the employers ruled out any agreement promising to hire workers.

Euro-MPs offer birds a safer migration

By Caroline Southey in Strasbourg

Migrating birds returning to Europe after their winter breaks in the sun have won a reprieve from being gunned down by European hunters.

The European Parliament yesterday voted to clip the hunters' wings by fixing for the first time a date to close the shooting season across the European Union.

The environmental lobby backing the measures met fierce resistance from southern Europeans, particularly the French, who defended their right to hunt on the grounds that it was won through revolution and was an integral part of French culture.

The amendment to close the EU hunting season on January 31 for all migrating birds was passed by just nine votes following a heated debate.

The pro-hunting lobby had backed a Commission proposal to allow member states to fix dates for particular species extending to February 28.

The decision will present Mrs Ritt Bjerregaard, commissioner for the environment, with a dilemma – whether to stand by the Commission position, which pre-dated her arrival in Brussels, or to stick to her green credentials and agree with the parliament. The final say rests with the Council of Ministers.

The proposals were aimed at amending the 1979 directive on the conservation of birds which provides protection for 74 species, including honey buzzards, flamingos, swans, geese, kites, ducks, eagles, vultures, harriers, falcons, terns, puffins, stormy petrels, herons, egrets and storks.

In most states, the hunting season closes on January 31, but continues to February 28 in Greece and France. Most flocks of migrating birds return to breeding grounds across Europe in February, although some fly back in December and January.

Mrs Maartje van Putten MEP, a driving force behind a fixed date said: "These are the birds that deliver the next generation. Hunting them during migration can have a seriously disruptive effect on their ability to breed successfully."

Arco signs $1.5bn oil contract with Algeria despite threats

By Robert Corzine in London

Arco, the US oil company, last night shrugged off threats by Islamist militants and signed a $1.5bn production sharing contract to rehabilitate the Rhourde El Baguel oilfield in Algeria.

The deal is the latest in a string of contracts signed in recent months between Sonatrach, Algeria's state oil and gas company, and western oil groups.

It came a day after the extremists warned oil and gas workers in Algeria to stop work or face death.

The industry generates 90 per cent of the country's foreign exchange revenues, and its expansion through the harnessing of foreign capital is a main priority for the government.

The Arco deal follows the signing last month of an $850m agreement with France's Total and Spain's Repsol for the development of a gasfield in the south-eastern part of the country.

In December, Sonatrach agreed its largest partnership accord to date, a $3.5bn production sharing agreement with British Petroleum for the development of a gasfield in the south-western region of In Salah.

The Arco contract covers Rhourde El Baguel, Algeria's second largest oilfield, 450 miles south-east of the capital Algiers.

The Los Angeles-based company has paid a $225m bonus payment to Sonatrach. Under the terms of the agreement it will invest a further $1.3bn in the rehabilitation of the field, which was discovered in 1962.

More than 450m barrels of the 3bn barrels of oil originally in place have been produced.

But Arco intends to drill additional wells and use modern gas injection techniques to boost production from 25,000 barrels a day to a peak of 125,000 a day early in the next decade. The company expects to produce more than 500m barrels over the 25-year life of the project. It will receive 49 per cent of the field's output, which should begin to rise by the end of the year, according to company officials.

Mr Jay Cheatham, president of Arco's international exploration and production division, said the contract was the result of "three years of hard work and complex negotiations".

In Los Angeles last night Arco declined to comment on the latest threats to oil workers in Algeria. But Mr Cheatham said: "Our people are anxious to begin work."

Algeria's oil and gasfields, concentrated in the southern desert, have been largely spared in the four-year conflict between Islamic militants and government forces.

THE LEX COLUMN

Grim tales

The evangelical zeal of Mr Helmut Kohl, the German chancellor, for European monetary union was once thought to be sufficient to win the day, despite any technical obstacles such as missed economic targets. But today's monthly report from the Bundesbank, with its grim warnings of Germany's difficulties in meeting the monetary union criteria, shows that the doubters too will be a force to be reckoned with.

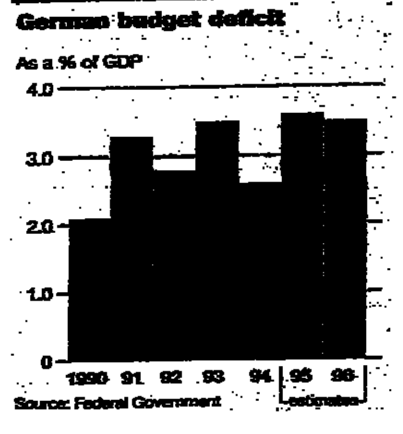
Innocently enough, the report urges a redoubling of efforts to meet Maastricht criteria by slashing public spending while cutting rather than increasing taxes. But that is easier said than done, given the weakness of the German economy. Transforming the ratio of the budget deficit to gross domestic product ratio from 3.6 per cent last year to less than 3 per cent by the end of 1997 – when the decision on a single currency is due to be taken – would be a feat approaching alchemy. As the French government has already learnt to its cost, the political price of meeting the convergence criteria by cutting spending may prove too high.

Meanwhile, the Bundesbank is subtly scotching the option of fudging the criteria. The unspoken message of today's report is that the Bundesbank, which has an advisory role in the monetary union process, would not let that happen. For Chancellor Kohl to force through monetary union against the explicit advice of the Bundesbank is virtually unthinkable. The tone of the report suggests that the Bundesbank is in no mood to come quietly.

FT-SE Eurotrack 200: 1756.4 (-7.1)

German budget deficit

As a % of GDP



Source: Federal Government

Shell

Yesterday's results from Shell were so lousy that even a sharp dividend increase failed to stop the share price from falling. Perversely, gruesome chemicals and downstream results offer some grounds for optimism – if, as some believe, they include a fair amount of restructuring costs. But investors are still surprisingly bullish: the shares are trading at one of the highest earnings multiples in the international oil sector. True, Shell admits it needs to change, but it also needs to do more than talk.

So far, the company is straining to meet even its lowly target of a 12 per cent return on capital: at 10.6 per cent, its performance last year was barely above 1994. And Shell has long been reluctant to take the most obvious return-boosting step – gearing itself up to give money back to shareholders. Anyone buying the shares now is taking a great deal on trust. Doubters should switch into British Petroleum.

Farnell Electronics

The row over Farnell's proposed $2.5bn bid for Premier is a watershed for UK corporate governance. The most extraordinary fact about yesterday's extraordinary meeting is that 77 per cent of the electronic group's shareholders actually bothered to vote – a far higher proportion than is usual on such occasions.

While Farnell won convincing backing for its takeover, it had to promise to strengthen its board to gain the support of key shareholders. The positive reading is that this will impose greater control on Farnell's management without destroying its motivation by rejecting the deal outright. The Premier purchase still looks risky, but at least shareholders know what they have let themselves in for.

Rentokil/BET

The idea of Rentokil trapping BET makes a lot of sense. The management record is certainly on the side of Rentokil, which has shown an uncanny ability to squeeze profits out of unpromising businesses such as pest control and tropical plant maintenance. Its 24 per cent operating margins are three times those at BET even though 70 per cent of their businesses overlap. And Rentokil's successful foray into manned guarding through 1993's £75m takeover of Securiguard suggests it can turn its hand to any type of service business. BET has recovered considerably from its crisis-ridden state in 1991. But it has yet to prove it can generate meaningful sales growth from what still looks like a sprawl of mediocre businesses. As a result, its shares have continued to underperform, while Rentokil's have rocketed over the past two years. If Rentokil pounces now, it could offer 200p a BET share (or £1.9bn for the group) and suffer no earnings dilution.

Such a takeover would look like a U-turn from Rentokil: the group has prospered on a diet of small bolt-on acquisitions. It would be unfortunate if Rentokil's target of 20 per cent annual earnings growth – which it has hit for 12 consecutive years – has become such a holy grail that its management will take any risks to achieve it. By adding BET's lower quality businesses, Rentokil may well end up with a lower rating. That said, the benefits of applying its more successful management to BET probably outweigh the risks.

UK executive pay

The Greenbury committee's recommendation that the full value of directors' pensions should be disclosed is potentially highly embarrassing for many companies. So it is no surprise that the approach backed yesterday by the Confederation of British Industry would produce less dramatic headline numbers than the purist "transfer value" method first considered.

Nonetheless, the CBI's alternative method deserves to be taken seriously. Publishing a figure for the annual pension to which directors will be entitled, and the change over the year, makes perfectly good sense. It is much easier to understand, and less dependent on actuarial assumptions, than the "transfer value". Most importantly, it is far preferable to the previous plan advocated by those who wanted to tone Greenbury down – fudging the impact of salary increases on pensions by spreading them over several years.

Under the CBI proposal, a sharp salary increase would – rightly – show through immediately as a sharp pension increase. What it would not reveal, unlike the transfer value, is the full, capitalised cost of an increase over time, which shareholders will ultimately have to bear. There is a strong case for publishing both.

Additional Lex comment on Granada and Yorkshire-Tyne Tees TV, Page 20

Government 'misled' MPs

Continued from Page 1

and the quality of justice in our courts and finds them wanting in the balance".

In support of its assertion that Mr Waldegrave had been cleared, Downing Street highlighted a statement by Sir Richard that he accepted that Mr Waldegrave did not have "duplicitous intention" in failing to inform MPs that the government's guidelines on arms sales to Iraq had been changed.

However, in the subsequent sentence, Sir Richard damns the government's "flexible" approach to the question of whether guidelines had been changed as "duplicitous".

He also said "Mr Waldegrave knew, first hand, the facts that, in my opinion rendered ... untrue" letters he had sent stating that the Iraqi arms policy had not been altered.

Sir Richard then sums up the paradox at the heart of his report. He "did not receive the impression of any insincerity" on the part of Mr Waldegrave in his claim that he had acted in good faith. But the report says it was "clear, in my opinion, that policy on defence sales to Iraq did not remain unchanged".

Rivals start Kremlin race

Continued from Page 1

that if the Czech Republic joined the Nato military alliance and became a base for Nato nuclear weapons, Russia would respond with force. "Since I am responsible for the nuclear security of Russia I would have to take adequate measures and ensure that those sites did not exist. They would simply be destroyed."

Although Mr Mikhailov is not directly responsible for Russia's foreign or defence policy, his aggressive comment suggests either a lack of discipline within the cabinet or a new harder line towards the west.

In comments likely to set the tone for the coming campaign, Mr Zyuganov attacked Mr Yeltsin as a "weak rival" [and] quite a vulnerable politician. He said: "If Yeltsin wins again it will mean further destruction and putrefaction of this country."

Echoing hardline delegates at the Communist meeting, Mr Zyuganov denounced Mr Yeltsin for "stealing" Russia's rich resources through privatisation, beginning the "bloody civil war in Chechnya" and allowing western countries to try to turn Russia into "a colonial economy".

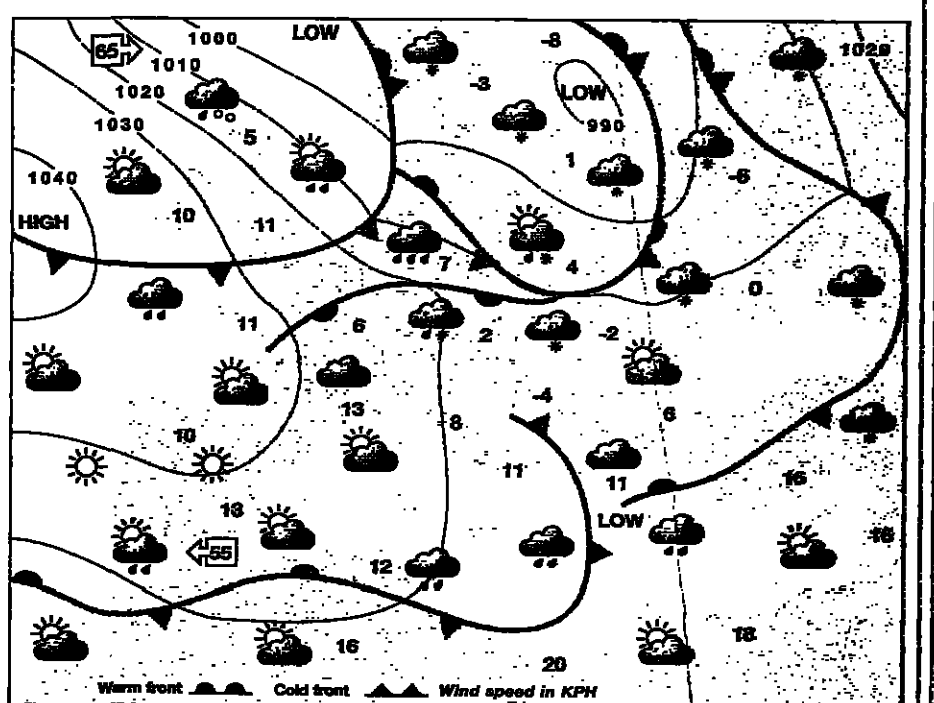
FT WEATHER GUIDE

Europe today

Rain will move from the UK towards the Low Countries and France. The UK will become brighter with occasional rain in the north, where temperatures will drop. Rain or snow will fall in Germany this morning. The Alps will start with snow, turning to rain later in the day. South-western Europe will be sunny, apart from the north coast of Spain. Greece and Sicily will have rain. Northern Italy will remain dry with some sun.

Five-day forecast

Low pressure systems will bring colder, rainy conditions to northern and central Europe. The south will stay mainly dry with some sun. From Monday high pressure extending from the British Isles to Lithuania will bring colder weather to central and western Europe, with temperatures falling below freezing at night.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	cloudy	25
Accra	fair	31
Algiers	cloudy	13
Amsterdam	rain	7
Athens	rain	15
Atlanta	fair	5
B. Aires	fair	29
B.ham	fair	9
Bangkok	fair	36
Barcelona	fair	11
Beijing	fair	2
Belfast	shower	7
Belgrade	cloudy	2
Berlin	rain	6
Bermuda	shower	21
Bogota	fair	19
Bombay	sun	32
Brussels	rain	8
Budapest	snow	-2
C.hagen	sleet	4
Cairo	fair	21
Cape Town	sun	32
Caracas	cloudy	30
Cardiff	fair	10
Casablanca	fair	18
Chicago	sun	-3
Cologne	rain	8
Dakar	fair	24
Dallas	sun	11
Delhi	fair	22
Dubai	fair	25
Dublin	fair	9
Dubrovnik	fair	11
Edinburgh	fair	6
Faro	fair	15
Frankfurt	rain	7
Geneva	cloudy	5
Gibraltar	shower	14
Glasgow	shower	6
Hamburg	rain	8
Helsinki	snow	-7
Hong Kong	shower	23
Honolulu	cloudy	26
Istanbul	drzzl	8
Jakarta	thund	30
Jersey	shower	10
Karachi	sun	26
Kuwait	fair	20
L. Angeles	fair	19
Las Palmas	fair	20
Lima	fair	26
Lisbon	sun	13
London	fair	11
Lux.bourg	rain	5
Lyon	cloudy	5
Madeira	shower	17
Madrid	fair	10
Majorca	fair	12
Malta	shower	14
Manchester	fair	8
Manila	fair	32
Melbourne	fair	25
Mexico City	sun	19
Miami	fair	24
Milan	fog	7
Montreal	cloudy	-8
Moscow	snow	-7
Munich	sleet	4
Nairobi	fair	29
Naples	shower	11
Nassau	fair	24
New York	snow	3
Nice	sun	13
Nicosia	fair	17
Oslo	snow	0
Paris	drzzl	8
Perth	sun	38
Prague	sleet	4
Rangoon	sun	33
Reykjavik	cloudy	0
Rio	fair	30
Rome	fair	11
S. Frsco	cloudy	17
Seoul	sun	4
Singapore	shower	31
Stockholm	cloudy	-2
Strasbourg	rain	5
Sydney	shower	21
Tangier	cloudy	15
Tel Aviv	fair	19
Tokyo	fair	10
Toronto	cloudy	-5
Vancouver	fair	12
Venice	fair	8
Vienna	sleet	2
Warsaw	snow	2
Washington	shower	6
Wellington	fair	21
Winnipeg	cloudy	-6
Zurich	rain	5